Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rs7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta145
Cyprus CC0.90	Jordan Fils.500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. S1,125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong ... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Indian summer of George Shultz, Page 24

World News

US warship damaged by mine in Gulf

The US Navy frigate Samuel B. Roberts was damaged in an underwater explosion, believed to have been caused by a mine, in the Gulf, about 70 miles east of Bahrain. Six American sailors were injured.

The blast damaged the warship's engine and engine room and caused some flooding but this was brought under control. Earlier report, Page 6

Israeli troops are out of control, says UN

UN officials feared they might no longer be able to protect nearly 450,000 Palestinian refugees in the Gaza Strip unless the Israeli army was brought under control.

One senior official denounced the army's tactics and behaviour, saying that soldiers showed no respect whatsoever for human life. Page 24

Looting in Panama

Hundreds of poor Panamanians looted a warehouse and a burned-out store in the centre of Panama City, saying they were going hungry because of the national crisis.

US-Soviet trade pact

The US and Soviet Union agreed modest measures to boost bilateral trade, although political relations would still dictate the trading climate between them for the foreseeable future. Page 7

Nigerian policy risk

Violent opposition to rises in petrol prices in Nigeria threatened to undermine the country's efforts to reschedule its external debt. Page 24

Naples blast kills four

At least four people were killed and 20 injured when a bomb exploded outside a US servicemen's club in Naples.

De Mita under fire

Mr Ciriaco De Mita's new Italian Government came under fire from industrialists less than 24 hours after being sworn in. Page 2

Red Cross accused

The Ethiopian Government accused the International Committee of the Red Cross of supporting rebels in the war-torn northern provinces of Eritrea and Tigray.

Soviets seize literature

Soviet customs officials seized nearly 500 "anti-Soviet" publications from two British students as they entered the country at Brest on the Polish border.

Turks detain Iranians

Turkish forces detained 68 Iranian Revolutionary Guards who crossed into Turkey on their way to northern Iraq.

Lebanon strike call

Lebanon's General Labour Federation, with 250,000 members, rejected a Government announcement of a 75 per cent pay rise and called for a two-day strike over wages and prices.

Greece jails Britons

Two Britons who said they were aircraft spotters were jailed on spying charges in Greece after taking photographs of military and civilian aircraft.

AIDS boxer banned

Britain's boxing control board said it had banned top Zimbabwean boxer Langton Tinago from fighting in London because he was a carrier of AIDS.

'Royalty' indicted

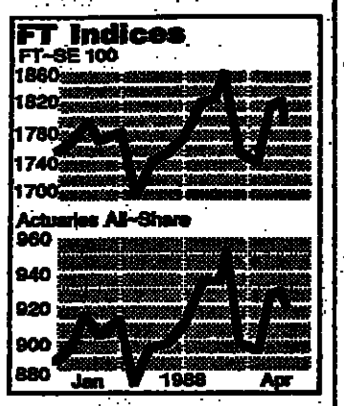
The self-styled royalty of New York's hotel industry and part owners of the Empire State Building, Harry and Leona Helmsley, were indicted in New York on tax evasion charges. Page 4

Business Summary

BBA pays £221m for Guthrie Corporation

BBA, UK diversified automotive components company, has agreed to pay £221m ($407m) for Guthrie Corporation, UK-based former plantation group. Eight days ago; it paid £134.7m in cash for the 60.83 per cent stake held by Permodalan Nasional Berhad, Malaysian Government investment agency, which had controlled Guthrie since 1981. Page 25; Lex, Page 24; Analysis, Page 30

FT INDICES: Blue chip international stocks tumbled in London following the unexpectedly large $13.83bn US trade deficit for February. The FT-SE 100 index finished 23.2 lower at 1,787.2, while the FT All Share index fell 1 per cent to 919.14 from yesterday's 928.13. Page 40



WALL STREET: The Dow Jones industrial average closed down 101.46 at 2,005.63. Page 44

TOKYO: Optimism over foreign exchange rate levels finally helped to push the Nikkei average past the unexplored peak of 27,000. The index added 125.8 to reach 27,111.35. Page 44

DOLLAR closed in New York at DM1.6620, Y123.55, SFr1.3725, FFr5.6375. It closed in London at DM1.6620 (DM1.6925); Y123.65 (Y126.30); SFr1.3730 (SFr1.4025); FFr5.64 (FFr5.7375). Page 33

STERLING closed in New York at $1.8730. It closed in London at $1.8755 ($1.8395); DM3.1175 (DM3.1125); Y232.0 (Y232.25); SFr2.5750 (SFr2.58); FFr10.5800 (FFr10.5550). Page 33

UNITED Technologies, US diversified industrial conglomerate, increased net income by 24 per cent to $122.2m in the first quarter. Page 25

US SENATE approved a $1.1 trillion (1.1 million million) budget in the Government's 1989 financial year.

PEARSON, UK publishing, banking and industrial group which publishes the Financial Times, has modified the terms of its £88m ($162m) acquisition of Les Echos, French financial daily newspaper, in the hope of winning early approval from the French Government for the deal. Page 24

LEYLAND DAF, formed last year through UK Rover Group's sale of the Leyland Trucks business to DAF of Holland, is to transfer the production of around 1,000 trucks a year from the Netherlands to the UK. Page 8

URENCO, European nuclear company, may build and run a $500m nuclear fuel plant in the US, its first outside Europe, in partnership with Duke Power of Charlotte, North Carolina, an electricity company. Page 24

MAJOR US BANKS, including Chemical New York, Texas Commerce Bank, Manufacturers Hanover, Security Pacific and Bank of New York, reported big improvements in first-quarter earnings. Page 25

WEST GERMAN exports to the rest of the European Community rose by 6 per cent last year, the Bundesbank said. Page 2

KOREAN AIR is to buy 10 Boeing 747-400 jet aircraft in a deal worth $1.5bn. Page 7

RHOTO Pharmaceutical of Japan has reached a basic agreement to acquire Mentholatum, US drug company. Page 27

Differences emerge as soon as Afghan pact is signed

BY WILLIAM DULLFORCE IN GENEVA

SHARPLY DIVERGENT interpretations of the UN-mediated agreements on Afghanistan emerged in Geneva yesterday within moments of the formal signing of the accord providing for the withdrawal of Soviet troops from the country.

The signatories – the US, Soviet Union, Pakistan and Afghanistan – also differed substantially over the form a political settlement in Afghanistan will take.

The foreign ministers of the four declared unanimously that they had concluded an historic accord laying the foundation for a political settlement of the Afghan issue, which has been a source of international discord since the Soviet Army marched into Kabul in December 1979.

The core agreements, signed by Pakistan and Afghanistan and guaranteed by the US and Soviet Union, commit Moscow to pulling out half its estimated 115,000 troops in three months and completing the disengagement in the nine months from May 15.

They leave unresolved differences about the nature of a future Afghan government, continued US and Soviet military aid to the warring factions and Pakistan's relations with the Mujahideen resistance which has been operating from its soil.

Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, made conflicting statements on military supplies, an issue they had supposedly settled by their understanding to observe "symmetry."

Nothing in the agreements restricted the US right to continue its support to the Mujahideen, Mr Shultz said. The US had said this clearly before signing "so that everybody involved would know it."

Mr Shultz was also confident that the US would be able to deliver supplies, although Pakistan – its channel for supplying the Mujahideen – had just signed an agreement which committed it to ensuring that its territory was not used to violate the sovereignty of Afghanistan.

Mr Shevardnadze, however, made clear the Soviet view that the entire range of activities aimed at interfering in the affairs of Afghanistan had been "totally blocked." He had told Mr Shultz the US had no legal right to deliver arms to forces engaged in a struggle against "a legitimate Afghan government."

Meanwhile, in Islamabad yesterday, General Zia ul-Haq, Pakistan's President, said the Mujahideen would certainly topple President Najibullah's government. Withdrawal of the Soviet troops would signal a period of turmoil that could last as long as three years but would end with the defeat of the Kabul government, General Zia said.

Mr Shevardnadze, asked in Geneva how Soviet generals were responding to the pullout, said: "There is no defeat." Mr Shultz said the signing was a "timely reminder that a major power cannot impose its will by force of arms on even the smallest country when its citizens are united in their resistance."

Pullout foreshadows war among victors, Page 6

US trade deficit rise sparks hectic trading in dollar and equities

BY ANTHONY HARRIS IN WASHINGTON, ANATOLE KALETSKY IN NEW YORK AND SIMON HOLBERTON IN LONDON

SHARE PRICES in New York tumbled yesterday after a steep drop in the dollar in response to US trade figures for February which showed a widening in the trade deficit to $13.8bn from $12.4bn in January. Earlier in London, share prices also fell steeply

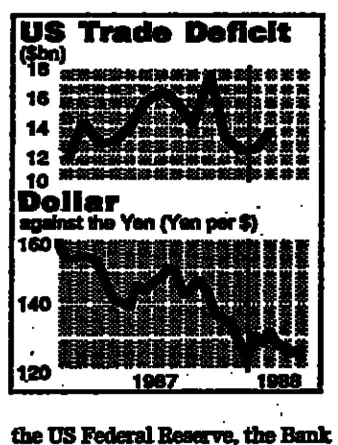
The Dow Jones Industrial Average fell 101.46 to close at 2005.63, sustaining its fifth-biggest one day decline, in nominal terms, and the worst fall since January 8.

As soon as the Dow had fallen by 50 points, shortly before 2pm, the New York Stock Exchange put out an official statement requesting member firms to refrain from using its computer system to execute stock-index arbitrage transactions.

This was the first time the voluntary restraints were put into effect in a declining market. The only other occasion when programme trading has been curbed was last week, on April 6, when the Dow jumped 64.16 points as US equity investors reacted euphorically to signs of increasing stability in currency and bond markets around the world.

After the figures were released, the dollar lost 3 pfennigs and more than two yen in chaotic trading on currency markets and prompted a concerted round of central bank intervention. By the close of trading in New York, the dollar appeared to be steadying at its lower levels.

European monetary officials said the central banks had bought around $500m in the initial bout of intervention after the trade figures were released. The bulk of that was accounted for by the US Federal Reserve, the Bank of Japan and the West German Bundesbank, although Mr Nigel Lawson, the British Chancellor, said in Washington a large number of other banks had participated.



However, European officials said they did not intervene to change the dollar's direction but to establish order in the market.

The curb on programme trading had little impact on the overwhelmingly bearish market as selling accelerated.

European monetary officials were hopeful the dollar would stabilise in coming days. However, there was a widespread feeling in financial markets that the trade figures had underlined the dollar's vulnerability to bad news and highlighted investor apprehension about the state of US financial markets and the economy.

The rise in the US visible trade deficit was some $2bn worse than financial markets had been expecting. The deterioration between January and February appears to reflect mainly a change in the timing of shipments; the January import figure was abnormally low.

The two months taken together, however, fit into the recent pattern of very strong growth in exports, up 27.1 per cent in value from the same two months in 1987, contending with a sharp rise in the value of imports, up 15.6 per cent, due mainly to price increases.

At the same time there is a major change in the pattern of trade, reflecting weak consumer demand offset by rising commodity prices, US industrial capacity limitations, and strong industrial investment. Imports of fuels, chemicals, metals and industrial machinery account for $7.2bn of the total rise in imports of $9.7bn between the first two months of 1987 and the same months in 1988.

Imports of cars, which have accounted for much of the past deterioration in the US merchandise balance, are almost unchanged from a year ago. On the other hand petroleum imports are up 26 per cent, of which 14 per cent reflects higher prices, raw materials other than fuel by 20 per cent, and semi-manufactures, mainly metals, by 18.5 per cent.

Imports of chemicals, up by more than 28 per cent, and iron and steel products, up 24 per cent, appear to reflect capacity limitations in the US. Both industries have been reporting capacity utilisation near 98 per cent.

Lex, Page 24; Currencies, Page 33; Stock Markets, Section II

The body of a 25-year-old border guard is lifted into a grave in Kuwait where both hijack victims were buried yesterday

Hijackers release further hostage

BY FRANCIS GHILES IN ALGIERS AND ANDREW GOWERS IN LONDON

HIJACKERS HOLDING a Kuwaiti airliner at Algiers released one of their estimated 32 hostages late last night, Kuwaiti television reported. Negotiations to end the hijacking took on an increasingly desperate air, however, after another hostage warned that all the others would be killed unless Kuwait met the hijackers' demands.

As Algerian officials struggled to keep indirect talks going between the gunmen and a Kuwaiti delegation, a passenger – identifying himself as Ahmed Zayed – radioed the airport control tower to call on the Kuwaiti Government to release 17 Arab militants being held for bomb attacks. "If not they (the hijackers) will kill us all," he said.

The statement represented the hijackers' latest attempt to extract concessions from Kuwait, which has refused consistently to consider releasing the prisoners. But it also revived fears of violence after the optimism which had grown following a pledge on Wednesday by the gunmen not to harm their captives. The pledge was given to Mr El-Hadi Khediri, the Algerian Interior Minister, when the aircraft arrived at Algiers from Larnaca.

After yesterday's warning, the official Algerian newsagency APS reported that negotiations were to be accelerated. Algerian officials continued shuttling between the aircraft and the terminal

Continued on Page 24

Algeria's mediation powers put to the test, Page 6

SGB wins the first round over defiant De Benedetti

By William Dawkins in Brussels

CARLO DE BENEDETTI yesterday lost a battle, but he has not yet lost a war.

That was the picture emerging from the chaotic but potentially decisive extraordinary general meeting at Société Générale de Belgique, Belgium's most powerful holding company, over which Mr De Benedetti has been struggling to exert control since the turn of the year.

La Générale's 1,156 shareholders – most of them owners of a mere handful of stock, bought into the company just to gain entry to what had been widely billed as Brussels' hottest corporate showdown for years – crowded into an enormous tent, pitched for the occasion at the back of the group's elegant, neo-classical headquarters.

"We are here to watch a game," said Mr Pierre Mahaut, 60, owner of four shares and of a chemist's shop in a Brussels suburb.

It was not quite what he and the other small shareholders had expected.

As they sweated it out from 9.30am into the early evening, through what turned out to be more like legal trench warfare than the dramatic duel they were after, it was becoming increasingly clear that the Italian entrepreneur was losing the edge he had held in the early rounds of the battle, even if he was still ready for a longer struggle.

"Nobody can fail to believe that sooner or later, in a week, in a month or in six months or a year, I and my associates will play the major role which is coming to us," he told the meeting.

But neither did anybody doubt that Mr De Benedetti would fail to get what he wanted in this round. La Générale's success in getting 2m new shares placed on to the register – in friendly hands – was a blow for Mr De Benedetti's chances of easing his 48 per cent minority stake into a majority.

Mr De Benedetti's arrival at the session, 40 minutes late, was greeted with a blistering attack from Mr René Lamy, La Générale's crusty, white-haired chairman, who was – perhaps unfairly – unimpressed by Mr De Benedetti's explanation that he had been delayed talking to

Continued on Page 24

Lex, Page 24

Central banks intervene in 'concerted action'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN WASHINGTON

FINANCE ministers and central bankers of the leading industrial nations yesterday sought to limit embarrassment caused by the unexpected rise in February's US trade deficit with declarations of their continued determination to support the dollar.

As all the major central banks bought dollars in what was described as "closely concerted" intervention, Mr James Baker, the US Treasury Secretary, said that monthly trade figures were erratic.

The underlying improvement in the US trade position was continuing. "What is important is that we are continuing along the general path of reduced imbalances," he said.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, said, that the central banks' action was a good example of the co-operation which the Group of Seven (G7) nations had agreed to strengthen at their meeting here on Wednesday.

Mr Gerhard Stoltenberg, West German Finance Minister, said the banks would continue to intervene if the need arose.

European monetary officials said the central banks had bought about $500m in the initial round of intervention after the trade figures were released. The bulk of that was accounted for by the US Federal Reserve, the Bank of Japan and the West German Bundesbank, although Mr Lawson said a large number of other banks had particpated.

Senior officials privately acknowledged, however, that the timing of the trade figures' release could hardly have been worse, falling less than 24 hours after the G7's confident reassertion of its determination to support the dollar.

Mr Lawson said that Mr Baker had not told his colleagues at the meeting to expect a much higher deficit than had been predicted in financial markets.

It was also unclear whether the US Federal Reserve will be ready to defend the dollar through higher interest rates if its decline continues.

No new ranges for the currency's value were discussed at Wednesday's meeting, implying that the commitment to a stable dollar embraces the ranges in which it has fluctuated since last December.

Mr Karl Otto Pöhl, West Germany's Bundesbank President, indicated that there was little if any scope for a further reduction in West German interest rates to support the dollar.

In a speech to the US National Press Club he said that growth in his country's money supply could not be allowed to run ahead too rapidly.

Mr Pöhl was optimistic, however, over the prospects for reductions in trade imbalances and for further exchange rate stability. He said the published

Continued on Page 24

Adjusting world trade imbalances, Page 3; Editorial comment, Page 22

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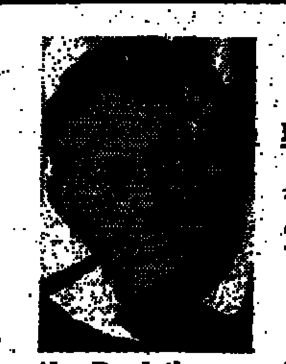


WHY CHILE IS SUDDENLY ATTRACTIVE TO FOREIGN INVESTORS

Alan Bond, the mercurial Australian entrepreneur, is one of many Antipodeans involved, Page 7

Chirac's advance rattles Mitterrand camp

BY PAUL BETTS IN PARIS

PRESIDENT François Mitterrand has called on his supporters and the Socialist Party to redouble their efforts in the presidential election campaign to fight off an increasingly plausible challenge from his leading right-wing rival, Mr Jacques Chirac, the neo-Gaullist RPR Prime Minister.

As the clear favourite so far, Mr Mitterrand has made several finely tuned but limited interventions in the campaign but his party has appeared to play a less energetic role than their rivals in the Gaullist camp. Some recent opinion polls, however, suggest that Mr Mitterrand has been losing ground against Mr Chirac.

One of these polls, by BVA in Paris-Match, shows a dramatic four-point drop in Mr Mitterrand's expectations in the first round of voting on April 24 from 38 per cent to 34 per cent, while Mr Chirac advances by half a point to 24.5 per cent. In the second round on May 8, Mr Mitterrand would score 52 per cent against 48 per cent for Mr Chirac, compared with 55.5 per cent in the previous BVA poll.

Other polls continue to comfort Mr Mitterrand's position as uncontested favourite, and one, published today in L'Express, increases his predicted first round score from 39 per cent to 40 per cent.

But the Socialists have clearly become alarmed by the apparent success of Mr Chirac's aggressive and highly professional campaign. Indeed, Mr Mitterrand himself gave a pep talk to Socialist leaders and his campaign staff earlier this week.

FRENCH ELECTIONS

One issue which has resurfaced is the old French bogey of immigration and the treatment of foreigners, especially North Africans. Mr Mitterrand yesterday claimed during a meeting with students on the outskirts of Paris that Mr Chirac and Mr Jean Marie Le Pen, the extreme right-wing National Front leader, were "twin brothers".

The night before in Lyons, Mr Chirac accused the President of softness on the immigrant issue and accused him of proposing to give immigrants the right to vote in local elections.

Mr Mitterrand's campaign organisers in turn accused Mr Chirac of "twisting" the ideas of the President, who, they said, had suggested he would like to give immigrants local voting rights but would not impose such a measure against what he acknowledged was majority opposition in the country.

The Socialists also accused the RPR of breaking the country's new rules on campaign spending and of manipulating the broadcasting authority. Mr Jack Lang, the former Socialist Culture Minister, also raised the temperature in an extended press conference attack against Mr Chirac after Mr Laurent Fabius, the former Socialist Prime Minister, accused the RPR and the National Front of negotiating a political deal.

Mr Alain Juppe, the Budget Minister and Mr Chirac's campaign spokesman, denied the charge yesterday. Nevertheless, the National Front, which is currently credited with 11-12 per cent of the vote, will clearly play a key role in determining the final outcome of the election.

Bundesbank rejects French ideas on EMS intervention

BY DAVID MARSH IN BONN

THE West German Bundesbank has issued a stiff warning, aimed above all at the French government, against further changes in the intervention and credit rules of the European Monetary System. In its annual report, published today, the Bundesbank takes issue above all with the French suggestion that EMS central banks should buy up currencies of member countries for holding in their reserves.

The report also gives a detailed picture of the extent of reserve currency diversification by foreign central banks last year.

In a dramatic widening of the reserve use of the D-Mark, the Bundesbank states that official reserve holdings of the D-Mark by foreign central banks and other monetary agencies rose by 42 per cent last year in dollar terms to $81.7bn at end 1987 from $57.7bn at end-1986. This amount made up 14 per cent of total world currency reserves of $567.2bn at the end of last year against 15 per cent of the much smaller currency reserves total of $396.3bn at the end of 1986.

Total dollar reserves held by all central banks – a result of massive official financing of the bulk of the $161bn US current account deficit last year - rose by an unprecedented $138bn. The $24bn increase in reserves held in D-Marks was much more marked than the $8.9bn and $3.9bn increases in official holdings of yen and sterling respectively, the Bundesbank said.

Its comments on the EMS amount to an indirect shot across the bows of Mr Jacques Chirac, the French Prime Minister, who has criticised the Bundesbank for not wanting to intervene to buy French francs.

The bank says that ideas for shifting the burden of economic adjustment within the EMS further towards hard currency countries and away from members facing devaluation pressure would neither narrow existing economic divergences in Europe nor contribute to EMS stability.

The Bundesbank also defends itself against the accusation, made periodically by France and other EMS members, that hard currency countries within the system have not had to made adjustments to offset foreign exchange pressures.

W German exports to EC up 6% last year

By David Marsh in Bonn

WEST GERMAN exports to the rest of the European Community rose last year by 6 per cent in real terms as a result of strong EC economic expansion and the relative stability of the D-Mark against European currencies, the Bundesbank said.

In its annual report published today, the West German central bank also revised upwards the country's current account surplus last year, now put at DM80.5bn (£25.8bn), down from DM85bn in 1986. Last year's current account surplus has been revised upwards from a figure of DM79.5bn published a month ago.

The figures for 1987 underline how exports, one of the mainstays of the economy, held up better than expected in spite of upward pressure on the D-Mark.

Exports overall last year were barely changed from 1986 on a nominal basis, at DM527bn against DM526.4bn. Imports fell to DM399.4bn from DM403bn, so that the foreign trade surplus on a free-on-board basis rose to a record DM127.6bn from DM123.4bn in 1986.

In volume terms, allowing for cuts in D-Mark export prices, West German exports to all countries last year rose 3 per cent. This was less than the 4-5 per cent increase in real imports of West Germany's most important trading partners, but was still a sharp improvement on forecasts.

Imports rose 5.5 per cent by volume, nearly twice as fast as exports, as a result of buoyant domestic demand. But a sharp fall in import prices prevented this from working through to an increase in nominal terms.

The Bundesbank's report provides a strong hint why exports last year held up so well. It pointed out that the real (inflation-adjusted) value of the D-Mark was barely changed in spite of its sharp rise against the dollar. This implies that competitiveness has been hit far less than generally thought by overall currency turbulence.

Reflecting the lack of currency adjustments in the European Monetary System after the realignment last January, the nominal value of the D-Mark rose only 1.5 per cent in 1987 against a trade weighted currency basket, the Bundesbank said. Since prices and costs rose by 1 percentage point less than abroad, this translated into D-Mark stability in real terms.

Separate detailed Bundesbank figures show that 52.7 per cent of West German exports last year went to the other 11 EC countries, with 52.6 per cent of imports coming from this area.

These figures, calculated on a slightly different basis from the overall statistics in the annual report, show that West Germany's trade surplus with the rest of the EC rose last year to DM62bn from DM51.4bn in 1986 and only DM31.6bn in 1985.

Schlüter may call snap election over nuclear arms issue

BY HILARY BARNES IN COPENHAGEN

DENMARK'S Prime Minister, Mr Poul Schlüter, is to consult the country's Nato allies over a resolution passed yesterday by Parliament which compels the Government to inform the captains of visiting warships that Denmark does not accept nuclear weapons on its territories.

He wants to know the implications for the country's status in the alliance. If the allies' reply is unsatisfactory to the Government, Mr Schlüter is expected to call a snap election in May when Denmark's commitment to Nato will be the key issue.

The resolution was passed with the votes of the opposition Social Democratic party, the Radical Liberals (who hold the balance between left and right in the Parliament and normally support the Government on economic policy), the Socialist People's party and the Common Cause party. Both the latter oppose Denmark's membership of Nato.

Mr Schlüter had said earlier that if the resolution were implemented British and US naval vessels would no longer visit Danish ports. It is a long-standing global policy on the part of both countries that they do not say whether their naval vessels carry nuclear weapons.

When the New Zealand Labour Government demanded guarantees that visiting US warships did not carry nuclear weapons Washington broke off defence co-operation. Yesterday's resolution is regarded by Britain and US as being only one step away from demanding an actual guarantee.

One immediate implication of the resolution appears to be that the 14,000-strong UK Mobile Force, which is committed to the reinforcement of Denmark, can no longer hold exercises in Denmark, as it relies on the navy to get it across the North Sea.

Mr Schlüter has said in the past that if the centre-left foreign policy majority, which has inflicted some 21 defeats on the Government since 1982, ever endangered Denmark's Nato membership, he would put the issue to the electorate.

In 1986, when the Social Democrats tried to use this majority to block ratification of the European Single Act, Mr Schlüter resolved the problem by submitting the issue to a referendum. He said yesterday that he would report back to Parliament within 10 days after consulting the allies.

Although the UK and the US are extremely unhappy with the resolution it is understood that a modus vivendi might still be worked out if the Danish Government did not expect the captain of visiting naval vessels to acknowledge the message.

Both Denmark and Norway declared in the 1950s that they would not permit nuclear weapons on their territories "in time of peace."

They have evaded the issue of nuclear armed naval visitors by declaring that they assume visiting ships respect their policies. Norway, however, sends a message to visiting warships stating that the Government assumes that they respect Norwegian policy, but it makes no specific reference to nuclear weapons.

Genscher opposes early decision on N-weapons

BY DAVID MARSH

FURTHER SIGNS of political rapprochement between East and West Germany emerged yesterday with news that Mr Hans-Dietrich Genscher, the West German Foreign Minister, will give a landmark speech on East-West relations in the East German town of Potsdam in June.

Confirmation of Mr Genscher's visit, at a conference organised by the US Institute for East-West Security Studies, came on a day on which he spoke out strongly in Parliament against early decisions on modernising short-range US nuclear missiles in the Federal Republic.

Mr Genscher, who was born in Halle in what is now East Germany, regularly makes private trips to see relatives. But he has carried out no official functions there, reflecting above all the West Germany view that East Germany is not a foreign country.

His remarks on nuclear modernisation came during a parliamentary debate on the superpowers' treaty to scrap medium-range missiles signed last December. It was given warm applause by the opposition Social Democratic Party (SPD), which has promised a fight to prevent the upgrading of US Lance missiles stationed in West Germany.

Mr Genscher's firmness on the Lance question is clearly being used by the SPD to try to bring to the surface differences within the government camp over the modernisation issue.

At a separate conference organised yesterday in Bonn by his Christian Democrat party, Chancellor Helmut Kohl accepted modernisation of Nato nuclear weapons as necessary to maintain deterrence in coming years. He said, however, that decisions on the Lance would have to depend on an "overall concept" of disarmament, including both conventional and nuclear weapons, due to be worked out within Nato over the next year.

Security lax in computer networks, says report

By Terry Dodsworth, Industrial Editor

SECURITY standards for computer network systems within the EC are lax and the European Commission needs to initiate moves to tighten them.

This warning was made yesterday in a Europe-wide study which found security inadequate in virtually all the network organisations it examined.

Unless action is taken, it says, the consequences for individual enterprises could be potentially catastrophic. More generally, inadequate security levels could provide a barrier to progress in the use of information technology and "ultimately act as a brake on economic development in Europe."

The study, undertaken for the Commission by Coopers and Lybrand, the management consulting group, draws together information gathered in seven European countries over the past two years at a cost of £1m.

It looks at the impact of the development of network systems – information networks which tie computers together via a telecommunications link – on companies throughout the region.

Although enterprises are increasingly dependent on these systems, it says, the general level of security in private and public organisations is inadequate.

Detailed recommendations affecting users and vendors are made in the report, which argues that there are several systematic and not necessarily expensive steps which companies can take.

It also lays out a series of proposals for action by the Commission, reflecting "its unique position to influence educators, standards bodies, regulatory organisations and international policy makers."

These include measures to create security standards as part of the European standards-setting system, to produce an inventory of security-related regulations, accelerate the development of controls within particular industries, and embrace a high standard of security controls itself as a user of network systems.

Coopers and Lybrand, Plumtree Court, London EC4A 4HT. £80.

Private TV legalised in Spain despite political opposition

BY PETER BRUCE IN MADRID

A LAW allowing private television channels in Spain finally passed Parliament yesterday despite bitter opposition. However, confusion remains about who will be permitted to operate the three franchises on offer.

The Socialist Government used its majority in the lower house to pass the legislation, which has been criticised heavily by the opposition conservative and left-wing parties. They are expected to challenge the act in the constitutional court.

They fear the Government will manipulate franchise distribution to put its supporters in charge of the new channels. Recent research has shown that up to 70 per cent of Spaniards form their political views exclusively through watching television.

Spanish governments have been under pressure to allow private television to compete with the state-owned national and regional networks ever since General Franco died. Suspicion remains high about state manipulation of television, which the Franco regime never bothered to disguise. Recent polls show that Spaniards, the most dedicated watchers of television in the European Community, want as many private channels as possible.

Of the eight initial consortia keen to win franchises, only three appeared yesterday to be continuing with their original plans. RTE, the Luxembourg-based media group, announced on Wednesday it was joining forces with Tevisa, a regional newspaper publisher, and Espasa Calpe, a publishing group belonging to the Banco de Bilboa, to form the Sociedad de Estudios de Television Independiente to bid for a franchise.

The other two seemingly firm bidders are: Antena 3 de Television, led by the Barcelona newspaper La Vanguardia and including Granada of the UK, O Globo of Brazil and NBC of the US; and Univision-Canal 1, of the magazine publishers Grupo Zeta, which admits it does not yet have any money.

Other potential bidders seem likely to regroup. Canal 7, a child of the right-wing ABC newspaper group, said yesterday it was looking for new partners, as did Tele 4, and Edica, which includes the Catholic daily Ya among its backers, said it might do so. Two major newspaper publishers, Grupo 16, which owns Diario 16, and Prisa, which publishes El Pais, both appeared very reluctant yesterday to continue pursuing the franchises. A Grupo 16 spokeman called the new law "unacceptable".

Even consortia staying in the franchise race expressed dissatisfaction with the new law yesterday. A spokesman for the RTE-Tevisa group called it "incomplete, unsatisfactory and full of holes". It is not known when the franchise will be awarded. The law provides for half the country to be covered by the private channels in their first 18 months in operation.

Bonn wants key post at Airbus

By David Marsh in Bonn

WEST GERMANY has laid claim to the key post of finance director in the new executive structure at Airbus Industrie, the European airliner consortium whose management is due to be reshaped to cut costs.

Mr Hartmut Mehdorn, board member responsible for Airbus activities at Messerschmitt-Boelkow-Blohm, the West German partner in Airbus, said in a newspaper interview that the consortium's finance chief should come from the Federal Republic.

His comments follow plans for reforming Airbus management drawn up by a panel of experts from the four governments – France, West Germany, Britain and Spain – backing the project. The plans were endorsed by a meeting of Airbus ministers and officials in Madrid on Tuesday, and are due to be put into effect later this year.

They foresee nomination of a smaller supervisory board, made up of the chiefs of the consortium's four industrial partners plus its chairman. A finance director would also be appointed to report directly to the supervisory board. He would have the power to look into costs, profits and pricing from the four industrial partners, which at present keep such information secret from each other.

Mr Mehdorn said MBB believed the restructuring measures would improve Airbus efficiency by 10 per cent.

At present the Airbus Industrie chairman, Mr Jean Pierson, is from France, with a West German, Mr Heribert Flosdorff, from MBB, holding the number two position as general manager. Mr Robert Whitfield, from British Aerospace, is executive vice president responsible for finance at Airbus, but the new finance director would be expected to have more far-reaching powers than he at present enjoys.

Brussels urges Yugoslav loan

BY DAVID BUCHAN IN BRUSSELS

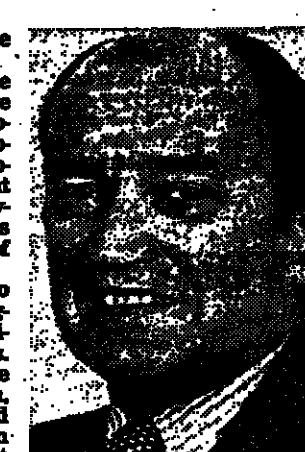
THE EUROPEAN Commission will seek to persuade EC member states that it is in the Community's interest to tide over Yugoslavia with a bridging loan until its government receives money from the International Monetary Fund under a newly-negotiated standby arrangement.

A Commission spokeswoman said yesterday that Mr Claude Cheysson, the Commissioner for Mediterranean policy who has just visited Yugoslavia, would raise the issue of a short-term loan to Belgrade at the next meeting of EC foreign ministers on April 25-6.

Foreign ministers of the Twelve were told earlier this year by Mr Jacques Delors, the Commission president, of Brussels' concern that chronic economic problems could create social and political instability in the non-aligned Balkan country on the Community's borders.

However, there is little the Commission can do itself. A five year EC-Yugoslav financial protocol signed last year gives Yugoslavia Ecu 550m(£363m) in European Investment Bank loans, but these are largely tied to improving Yugoslav rail and road links between Greece and the rest of the Community.

So Mr Cheysson is confined to acting as "advocate" for a bridging loan to be provided by individual EC member governments. Many of the latter may not be receptive to Mr Cheysson's plea, however. The Commission had proposed giving Yugoslavia an Ecu 80m interest rate subsidy (out of the EC budget) on last year's financial protocol, but certain governments, including the UK, blocked the plan.



Cheysson: advocate

De Mita under business fire

BY ALAN FRIEDMAN IN MILAN

THE Italian Government of Mr Ciriaco De Mita came under fire from industrialists yesterday, less than 24 hours after being sworn in.

Speaking at an executive meeting of the Confindustria employers' association in Rome, Mr Cesare Romiti, Fiat's managing director, criticised as "decisively too little" the plan to reduce this year's public sector deficit by L7,000bn (£3bn).

Mr Carlo Patrucco, Confindustria's vice-president, said he did not believe the Government would achieve its spending cuts. He also claimed that an increase in taxes on items such as petrol and consumer goods "was totally mistaken as it will only be inflationary."

Elsewhere, Mr Silvio Berlusconi, the television tycoon, joined the attack. He will be forced to sell his 88 per cent stake in the Milan newspaper Il Giornale as a result of a planned media law preventing one group owning both newspapers and television stations. "The only victim of the new anti-trust law will be me," he told Parliament.

There was no word, however, from Fiat, which may find that the Rizzoli publishing group – which it is deemed to control by virtue of its key share stake in Gemina, Rizzoli's parent – cannot take up an option to buy 60 per cent of Telemontecarlo, the Monte Carlo-based station.

The Milan financial world, meanwhile, was alive with speculation about the successor to Mr Antonio Maccanico, the chairman of Mediobanca who has been drafted into the Government as Minister for Institutional Reform. The name most frequently mentioned is that of Mr Francesco Cingano, at present chairman of Banca Commerciale Italiana, Italy's second biggest bank.

Executive pay curbs lifted in Greece

By Andriana Ierodiaconou in Athens

THE GREEK Socialist Government has lifted restrictions on senior executive salaries in a wide range of public sector enterprises to try to attract badly needed managerial talent from the better paying private sector of the economy.

Following a special decision signed by Mr Andreas Papandreou, the Prime Minister, salaries for a specified number of senior employees of public corporations will no longer be bound by the wage limits set by the Government for the public sector.

A two-year economic stabilisation programme based on a public and private sector wages standstill ended in Greece last December. For this year the authorities have decided to permit real pay increases of about 2 per cent in the public sector, while calling on the private sector to treat that figure as a guideline in its own collective wage negotiations.

David Buchan in Brussels looks at the low-intensity institutional war over efforts to internationalize defence procurement

West Europeans are inching towards a common market in arms

QUIET MOVES are afoot to try to try to create something like a European common market in armaments.

It is hardly surprising these moves should so far have been drowned out by the European Community's well-trumpeted plans to forge a single market in civilian goods by 1992. The work on opening up Europe's heavily fragmented defence market has proceeded in a slower, more secretive and confused manner than parallel efforts in the civil field. But there are signs it is slipping into slightly higher gear.

In contrast to the countless calls over the past 30 years for the integration of the non-military European market, the first serious proposal for a common market in arms came only last year, in a report prepared for the 13 European members of Nato which belong to the Independent European Programme Group (IEPG). This included a call for European governments to collaborate more on military research and to open more of their $25-30bn annual procurement of defence equipment to bids from each other's companies, so that competition could help contain spiralling weapons costs and make limited military budgets go further.

This proposal may seem merely to parallel current EC moves to open up hitherto restricted public procurement in telecommunications, energy, transport and construction. But it is more radical because it strikes at a far more incestuous relationship between governments and their national defence contractors than exists in the civil field - a relationship traditionally justified on security grounds.

Predictably, defence ministers of the IEPG countries did not swallow this radical pill at one go. But they did at least ask their officials to prepare "an action plan", which they are due to consider this autumn. So work is now in train on such issues as when and what defence contracts should be publicly advertised, what criteria governments should use in awarding contracts, how less industrialised IEPG members like Greece, Turkey and Portugal can be assured of getting a juste retour, or fair share, in a new climate of freer competition, and whether there should be common funding of military R & D.

All this IEPG work may yet end up in the dustbin of history. That it has already ended up there is, however, the misleading impression given by Mr Henk Vredeling, the chairman of the group that prepared the IEPG study. Mr Vredeling, a former Dutch defence minister and EC Commissioner, recently pronounced himself so disappointed with IEPG defence ministers' follow-up to his own report that he had concluded that the only road to greater European cooperation in defence cooperation lay through the European Community.

Here is where the confusion begins. Unlike the civil field where the EC holds undisputed sway, three institutions are vying to play some role in European defence - the IEPG, the EC Commission and Western European Union (WEU) which has the UK, France, West Germany, Italy and the Benelux as members and is shortly expected to ask Spain and Portugal to join. However, each organisation has limitations almost as big as its ambitions in the defence field. This is particularly apparent now.

For instance, the IEPG which has a clear mandate to act in the area of defence equipment is trying to take wing as an institution. But its member governments are reluctant to let it have any more secretariat than one UK civil servant who spends one third of his time on IEPG business. WEU has an equally clear defence mandate, though it is more policy- than equipment-oriented. But at the moment it is the prisoner of an Anglo-French row about its location and cannot hire new staff. One bizarre result of this is that a Belgian arms control and security expert, Professor Georges Delcoigne, who was to have been hired by WEU is now to be employed by Mr Jacques Delors, the French president of the EC Commission, as a consultant. In contrast to the two other institutions, the Brussels Commission has the money, the men (10,000 in total), but no crystal-clear mandate to involve itself in defence.

> If a call to arms does come - and Commission officials insist it is for governments and defence ministries to enlist the EC's help - "we will be ready with proposals", says one key official.

The very fact that Mr Delors should be hiring outside defence consultants may be a red rag to Communist and Green Euro-MPs, in addition to discomfiting the neutral Irish, who all claim the Commission's activities should be purely civil. In fact, Mr Delors who shares his countrymen's general desire to give the EC a security dimension, already has several people inside the Berlaymont working on defence issues. Though defence is excluded from the Rome treaty, the 1986 Single European Act (article 30) adds defence to foreign policy as a proper area for EC cooperation and pledges member states "to maintain the technological and industrial conditions necessary for their security". Though his proposal for a special EC summit on security in the wake of the October 1986 superpower meeting at Reykjavik was crushingly ignored by EC governments, Mr Delors is quietly readying himself and the Commission for the day when a call to arms might come.

If such a call does come - and Commission officials insist it is for governments and defence ministries to enlist the EC's help - "we will be ready with proposals", says one key official. He likens the Commission's work on defence to the in-house nurturing and acclimatisation of a delicate potted plant so that one day it can be planted and survive in the outside world. So far this "work" mainly consists of briefing Mr Delors on defence issues before he attends the annual Western summits, and of reminding any member of the European defence establishment who cares to listen that when it comes to opening up markets, enforcing competition, coordinating research, the EC has lots of experience, models and rules it is ready to share.

The Commission calculates its best point of entry into the defence arena is through the EC's various industrial and information technology programmes like Esprit, Brite and Race, which have military as well as civil spin-off. Mr Karl-Heinz Narjes, the EC industry commissioner, cited two such examples - in computer software and advanced materials - to a WEU armaments seminar last month. He went on to claim it was "unthinkable that military R & D and the production of weaponry should not be part of the whole process" of the Community's 1992 internal market programme. "We cannot deprive our defence industry of the benefits we seek for our civil industries", he said.

It is in fact dawning on some European defence officials presently labouring on the draft action plan for the IEPG that the EC's experience with the 1992 programme could be of real use to them. As one senior UK defence official asks, if there were to be a freer European defence market, how would you prevent such things as regional development grants from distorting it?

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Philip Stephens examines the reports and deliberations of the International Monetary Fund and the Group of Seven

IMF sees need for faster adjustment of world's trade imbalances

THE GROUP of Seven industrial countries this week delivered an impressive display of their determination to stabilise financial markets. The International Monetary Fund remains to be convinced that they will succeed.

In its latest Economic Outlook, the Fund says that the US, Japan and West Germany have made significant progress towards reducing their trade imbalances. US exports grew by 12 per cent in volume terms last year and, in 1988 and 1989 taken together, can be expected to rise by a further 35 per cent. Imports, which rose by 5 per cent in 1987, are expected to increase by 9 per cent in the following two years.

The pattern in Japan and West Germany will remain the reverse, with import volumes rising much more rapidly than those of exports

Those encouraging trends, however, have not persuaded IMF economists that the adjustment is rapid enough. The US current account will still show a deficit of about $130bn in 1989, while the Japanese and West German surpluses will remain as high as $75bn and $40bn respectively. Little further improvement looks in sight.

In a series of detailed projections of the medium-term outlook, the Fund concludes that, on the basis of present policies and exchange rates, the trade imbalances will still be at unsustainable levels in 1992. In those circumstances, the financial markets might yet impose their own solutions.

The central concern focuses on the implications of the imbalances for the net asset positions of the three largest economies.

IMF % growth forecasts

	1987	1988	1989
US (GNP)	2.9	2.9	2.7
Japan (GNP)	4.2	4.1	3.8
West Germany (GNP)	1.7	1.7	1.7
Britain (GDP)	4.5	3.0	2.2
France (GDP)	2.1	1.6	1.7
Canada (GDP)	3.9	3.4	3.1
Italy (GDP)	2.8	2.5	2.3
Main ind nations	3.1	2.9	2.7

By 1989, the net debtor position of the US will represent about 14 per cent of its gross national product. Over the following three years, that figure could rise beyond 20 per cent – equivalent to nearly $1,000bn.

The risk is that overseas investors will become alarmed by the debt build-up and refuse to finance the deficit at present interest and exchange rates. Rising US borrowing costs and a falling dollar could then trigger a recurrence of the stock market fall of last October.

Such an outcome is not regarded as inevitable, but elimination of the risk will require much greater efforts by the industrial countries than those outlined in the Louvre accord last year and reaffirmed this week.

The Fund's policy prescriptions include a call for "a considerably more ambitious" programme of cuts in the US budget deficit, along with other measures aimed to persuade Americans to spend less and save more.

Japan, meanwhile, cannot afford to relax its efforts to maintain the momentum of domestic demand. In parallel, the Fund wants a vigorous programme of structural reforms to stimulate both domestic investment and consumption.

The Outlook, much more controversially, casts doubt on the wisdom of the policy of West Germany's partners in the European Monetary System of holding their currencies closely in line with the D-Mark.

The language is carefully coded but the Fund makes clear that France and Italy should consider devaluing their currencies against the D-Mark in order to expand their economies at a faster pace without running into balance of payments difficulties.

The suggestion has already brought howls of indignation from the Italian Government and could not even be considered by France before the presidential elections there. The issue of whether other European countries should tie themselves to West German growth rates, however, is unlikely to go away.

The Fund's forecasts of the more general short-term economic outlook are not entirely gloomy. It estimates that the equity price crash will probably reduce the growth of output by 0.25 percentage points in both 1988 and 1989, but it admits that the main economies have in general behaved better than it expected.

Some revisions even in the last week have pushed up its expectation of growth in the industrialised world to 2.8 per cent this year and to 2.6 per cent in 1989.

Domestic demand 'to lift Britain'

BRITAIN'S economy will continue to be buoyed this year by strong growth in domestic demand but a sharp widening in the current account deficit will act as an intensifying constraint on growth, the International Monetary Fund says.

The fund's latest Economic Outlook projects a growth rate for the economy this year of 3 per cent – down from the 4.5 per cent seen in 1987 but still slightly above the average for other industrial countries.

On that basis, the number of jobs in the economy should continue to rise and unemployment will fall further, albeit at a much slower pace than during last year. By 1989, the rate of joblessness should be just below 9 per cent, compared with the average of 10.4 per cent in 1987.

The fund's analysis of recent economic trends shows that Britain's growth performance in recent years has been significantly better than that of its European competitors.

However, it predicts that the current account of the balance of payments will record a deficit of $7.3bn in 1988, up from $2.8bn last year. In 1989 the current account gap may widen further to $9.2bn.

That deterioration in the trade position and some slowing in domestic demand may cut the growth rate to 2.2 per cent in 1989.

The Fund is also less sanguine than the UK Treasury on the outlook for inflation. It brackets Britain with Italy and Canada as a country which has done less than most others to slow the pace of price increases. It predicts for the next two years that consumer price inflation will remain nearly static at between 4.2 and 4.3 per cent.

New commodity index remains embryonic

AGREEMENT AMONG the Group of Seven countries to develop a new index of world commodity price trends has given financial markets yet another indicator to watch in the perpetual game of anticipating official policy. However, it may be some time yet before they know just what raw materials prices to observe most closely.

Supporters of a commodity price index as a modern equivalent of the gold standard will be disappointed. The US Treasury has made clear that, for the time being at least, it is not in the business of providing a new anchor for the international monetary system.

The index, in the much less ambitious wording of the Group of Seven communique, will provide "an additional analytical instrument" in international policy coordination. Any idea that a fall in commodity prices will instantly trigger lower interest rates, or *vice versa*, has been firmly squashed by several European Governments, particularly that of West Germany. A US Treasury official this week concurred that the index will be "something to bear in mind", rather than an automatic trigger for policy action.

The Group of Seven stated on Wednesday after its meeting

"The finance ministers and central bank governors of seven major industrial countries met to conduct multilateral surveillance of their economies, pursuant to the economic policy co-ordination process adopted at the 1986 Tokyo summit and strengthened at the 1987 Venice summit. The managing director of the IMF participated. They discussed the medium-term objectives and projections for each of their economies and for their countries as a group, together with prospects for short-term performance, as a basis for assessing current economic trends. As part of their continuing efforts to strengthen coordination, they agreed to develop, for inclusion in the set of existing indicators, a commodity price indicator as an additional analytical instrument. In this context, they agreed to consider ways of further improving the functioning of the international monetary system and the co-ordination process."

The reasoning behind it, he added, was to avoid the possibility that efforts to stabilise exchange rates might be at the expense of a general upsurge in world inflation.

Work by economists at the IMF suggest that it is possible to find a fairly good correlation between commodity and consumer price inflations. The index shown in the chart, including 40 commodities, has predicted virtually all the main turning points in retail price inflation over the last 30 years.

The message, however, has not been consistently accurate either in showing a consistent lag between movements in the two sets of prices or in showing the same scale of movements in both.

The Seven have decided to construct a different index and have yet to agree exactly how it will weighted as regards various commodities.

Some of the initial technical difficulties seem to have been settled. On the basis of work done by the US Federal Reserve, under examination is an index weighted according to the consumption of particular commodities in the G7 countries during 1985. Sophisticated statistical anyalyses – known as regressions – suggest that this particular construction has been a relatively good leading indicator of world consumer inflation.

Earlier arguments about the respective weights of items such as copper and soya beans have been resolved but certain issues remain unresolved.

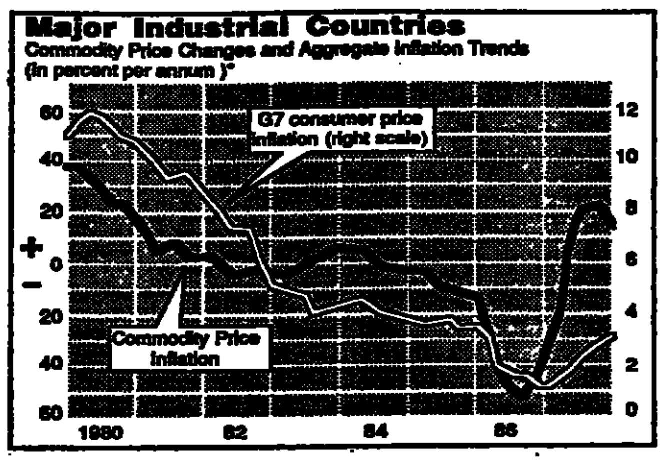
One of the most important is the weight that might be given to gold. Strict adherence to the weighting implied by 1985 consumption of raw materials would imply a weighting of only 1.5 per cent.

The US, however, believes that this does not reflect gold's broader significance as a guide to expectations of inflation. It has suggested 15 per cent, basing its figure on the Federal Reserve's studies

For various European Governments that figure is too suggestive, albeit tenuously, of gold and currency values being linked again. Some are suggesting that gold might be treated separately while others believe that, if it were included in the overall index, a weighting of closer to 5 per cent would be more appropriate.

Gold is not the only problem. The Seven have to work out a way to prevent oil dominating the index. The 1985 pattern of raw materials consumption suggests a weighting of 50 per cent. However, in that most Governments agree that swings in oil prices often reflect the operation of the Organisation of Petroleum-Exporting Countries as well as inflationary trends, it is thought that such a weighting would unbalance the index.

In those circumstances, officials will be looking at ways to trim the weighting or to constuct two indices – one with oil the other without.



Aggregate inflation is average of percentage changes for individual countries weighted by the average US dollar value of their respective GNPs over the preceding three years.

** Three-month moving average of percentage changes over the equivalent month of preceding year.*

Developing nations urge rich to step up growth

THE Group of 24 developing nations yesterday warned that adjustment programmes in their economies had no hope of easing the debt crisis unless industrial nations did more to step up the pace of growth in their economies.

The Group, which includes many of the most-heavily indebted nations, also urged western governments, commercial banks and international organisations to co-operate in reducing the existing stock of debt and in reversing the present flow of resources from developing to developed countries.

Lawson: No alternative

Its concern that there is little prospect of a significant improvement in the outlook for debtor countries over the next few years was echoed in the International Monetary Fund's latest economic outlook.

The Outlook said that 1987 had seen the first significant fall in debt-export ratios of Third World nations since the onset of the debt crisis. It added, however, that the aggregate debt ratio of developing countries was likely to be 139 per cent in 1988, significantly higher than the 120 per cent recorded in 1982.

The total aggregate debt of the developing countries is estimated to have risen by about 8.5 per cent in 1987 to stand at $1,195bn. The Fund also warned that the difficulties faced by debtor nations had created considerable "adjustment fatigue" among debtor nations, particularly in Latin America.

Concern among the developing countries about the economic outlook followed the strongest statement yet by leading industrial nations that there is no question of a general shift in their strategy to contain the crisis towards "debt forgiveness."

A US Treasury official said that a statement in the G-7 communique on Wednesday ruling out such an approach was designed to quash permanently suggestions that western governments should set up a new debt facility to buy commercial bank debt at a discount and pass on the benefits to debtor nations.

That view was echoed by Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who told the IMF's policymaking Interim Committee that there was no alternative to the case-by-case strategy enunciated by Mr James Baker, the US Treasury Secretary, in 1985.

Mr Lawson added, however, that commercial banks should continue to develop the "menu of options" available to debtor countries willing to undertake adjustment programmes.

Baker: Strategy stays

He suggested that greater use of "exit bonds" to allow smaller banks to get out of lending. This would leave a more compact group of banks to handle negotiations with the debtor countries.

Health bill victory boosts Dukakis campaign

BY LIONEL BARBER IN WASHINGTON

GOVERNOR Michael Dukakis of Massachusetts, the frontrunner for the Democratic presidential nomination, scored a major political victory yesterday when his home state legislature narrowly approved a bill guaranteeing health insurance to all residents.

Mr Dukakis has made universal health care a leading issue in his campaign and he is expected to exploit the passage of the bill fully in the run-up to next week's pivotal primary election in New York.

The bill would make Massachusetts the first state to offer such wide-ranging guarantees on health care coverage in the US where almost 40 million have no health insurance, according to Census Bureau figures.

The bill aims to cover 600,000 of Massachusetts 5.8m residents who are uninsured. It would apply to both unemployed and employed workers and would be introduced on a staggered basis over the next four years.

Mr Dukakis first proposed the measure last autumn and he has pointed to it as a possible blueprint for the programme he would like to introduce if he became president.

The bill requires companies with six or more workers to offer insurance to employees within four years or to pay a surcharge on unemployment insurance. Revenues gained by the surcharge would help the state to guarantee health insurance for those without coverage.

Those uninsured would be required to pay for their insurance on a sliding scale related to their salary. The bill recommends they contribute on average 25 to 30 per cent of the cost.

Federal-sponsored health insurance has been a subject of debate in the US for several years, but it has failed to make much progress through Congress. A bill introduced by Senator Edward Kennedy of Massachusetts is awaiting action by the full US Senate.

New York's self-styled 'queen' on tax charges

By James Buchan in New York

MR HARRY and Mrs Leona Helmsley, part owners of the Empire State Building and the self-styled royalty of New York's hotel industry, were yesterday indicted in New York on tax evasion charges.

The couple, among the world's richest people, were accused yesterday of fiddling state and federal taxes while renovating a palatial house in the New York suburbs. The indictment says they wrongly booked decorators' invoices for the 28-room fake Tudor house as business costs, which are tax-deductible.

If found guilty they could go to prison.

Lawyers for the pair say the charges against Mr Helmsley, 80, and his much younger second wife, are unfair. They say the Helmsleys have paid $250m in taxes in the past five years and given $35m to charity. "Is it credible or possible that people who have willingly paid such amounts would wilfully try to avoid paying income taxes?"

Mr Helmsley, a man highly regarded for modesty and fairness, controls a property empire, including the chain of Helmsley Hotels, thought to be worth more than $5bn.

In recent years, day-to-day control has increasingly passed to Mrs Helmsley, a former cigarette girl and property broker whose pretensions have infuriated even New Yorkers, who are usually quite tolerant of glitz.

Mrs Helmsley, who is something of a contrast to the elderly Quaker husband she married in 1972, appears regularly in glossy magazines in a diamond tiara to advertise the Helmsley Palace, her flagship mid-town hotel. The hotel, says the advertisements, "is the only Palace in the world where the Queen stands guard."

According to one journalist, Mrs Helmsley is "the most convincing contemporary argument against monarchy in America."

The case has riveted New Yorkers since the New York Post in late 1986 made allegations about the house, which is in Greenwich, Connecticut. The Post spoke to disgruntled contractors who had fallen foul of the imperious Mrs Helmsley. "I'd work for the bag ladies before I'd work for someone like Mrs Helmsley again," said a gardener.

Lawyers are expected to seek to have the charges dropped against Mrs Helmsley on the grounds that she was granted immunity in another tax investigation involving smart city jewellers and their customers.

The message of self-help is finding the ghetto in a mood to listen, writes Stewart Fleming

Jackson strikes a chord in New York's slums

MICHAEL MIRANDA is standing outside James Monroe High, an inner city ghetto school of some 2,000 mainly black and Hispanic students in the Bronx, the New York borough which is without question one of the most lawless urban areas in the United States.

"I want to be a cop," he says. Nodding at the posse of blue and white New York City patrol cars which have accompanied the Reverend Jesse Jackson, the black presidential candidate, on his visit to the school, he adds: "I'd like the excitement. I don't want to sit behind a desk all day. I've got a lot of respect for cops."

"Even white cops?" he is asked. "It doesn't matter if they are white," he replies with a nonchalant shrug.

For years now American politicans, including some like Mr Jimmy Carter who have been in pursuit of the Presidency, have made pilgrimages to this derelict corner of New York to stand amongst the gutted apartment building and proclaim their dedication to reconstructing not just this inner city wasteland but urban ghettos throughout the country.

Mr Jackson came this week not as a pilgrim but as a crusader, intent on revitalising not the real estate but the spirits of the Bronx's urban underclass.

What he discovered was not a sullen and disheartened mob of society's outcasts but a raging tumult of whistling, yelling and chanting teenagers. They were ready to believe in themselves enough to accept that like him, the fatherless child of a teenage mother, they can escape from the slums.

If, as most American politicans believe, the nation's education system is in crisis, then nowhere can that crisis be deeper than in New York City. For years, the $5bn poured into New York public schools annually has appeared to evaporate and leave behind a residue of demoralisation and acrimony.

The student population is about 80 per cent "minority": 38 per cent black and 34 per cent Hispanic. According to some estimates, between one third and one half of the students (and in some schools 90 per cent) drop out of school before they finish their education. Attendance records are poor.

On the morning of Mr Jackson's visit to James Monroe High, the New York Times reported that the previous day, when the students at West Side High in Manhattan returned from their spring break they found the Principal, Mr Edward Reynolds, standing at the front door announcing a ban on gold jewelry.

"By this he meant," the Times reported "thick ropes of gold worn around the neck, breast plates and outsize medallions as big as oranges." Mr Reynolds was quoted as saying there had been three near-deaths at the school over gold. "Most of the gold the kids wear is from drug money, theft or buying stolen gold. Gold has become a symbol of the street and all of the destructive values it represents."

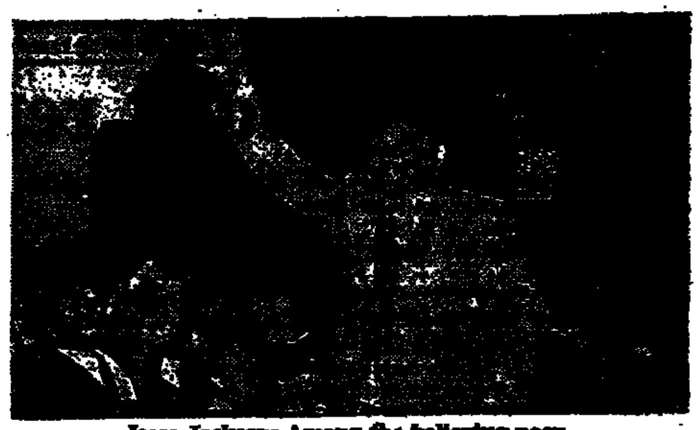
But there is evidence of change in New York's school system at the top as well as the grass roots.

Last month Dr Richard Green, a tough, self-assured school administrator from Minneapolis, took up his appointment as the first black Chancellor of the New York school system. He has vowed to instal metal detectors in schools if necessary in order to curb violence and to end the system under which teachers have to clock in and out like factory workers.

At the grass roots, there are places like James Monroe High were the self-help ethic is having an impact.

When on Tuesday, Mr Jackson asked the students to stand up if they knew somebody in jail because of drugs, a ripple of laughter ran around the hall as the teenagers rose in unison.

Michael Miranda says that there was no play-acting in this response. But he also says that the school "is getting better compared to what it was. We have come a long way compared with five years ago. We have got a new library and new computers keep coming into the school," he says with evident pride.



Jesse Jackson: Among the believing poor

Mr Armando Pacheco, a teacher, explained that up to three years ago the school was in chaos. He put the improvement down to the former Principal, who he says was so bad that "he made us do something about it."

A new Principal, Mr Jack Valerio, came. The teachers became motivated too. "You have got to have motivated teachers to have motivated students," he says.

"Now the students go to Broadway to see classics, Macbeth, Romeo and Juliet. Before people thought our students were not capable of going to Broadway," he says. The teachers go with them in the evenings and on Saturday nights.

He concedes that there are still problems: the drop-out rate is around 50 per cent. "We have to compete against a lot of things outside school." But the lesson from James Monroe was that "you can have a school in the middle of the worst area of the Bronx and if you have the right school environment the students will learn."

One of the secrets of Mr Jesse Jackson's success in the black and Hispanic community in New York is that today there are poor people in his audiences who are ready to believe what he says.

Some are arguing that the improving economy in the city, plus stronger black and Hispanic leadership at the grass roots level, plus a determination among the main victims of social decay, drugs and violence to fight back, mean that Mr Jackson is bringing his message to people who are ready for it.

Some black leaders are worried about what will happen if the legitimate hopes which he is feeding are disappointed.

General strike paralyses Argentina's economy

BY OUR CORRESPONDENT IN BUENOS AIRES

ARGENTINA's powerful labour unions yesterday brought economic activity to an almost complete halt with a 24-hour national strike against the Government's austere economic policies.

Unofficial estimates suggested 90 per cent of the 11.5m workforce people stayed away during the stoppage called by Argentina's biggest labour organisation, the Confederacion General del Trabajo.

Ports and public transport were paralysed. Traders said there were no grain shipments, Argentina's primary source of hard currency to service foreign debts, conservatively estimated at $52bn.

Factories in big cities, the industrial belt of Greater Buenos Aires and many business offices and Government departments closed for the day.

Some banks opened with a skeleton staff and essential services handled emergency services only.

By timing the strike one day before the weekend, the CGT appeared to have induced a severe bout of absenteeism among the middle and managerial classes, where President Raul Alfonsin's ruling Radical Party draws most of its support.

Few people came in to the city centre but reports from the outskirts of the capital said there were long convoys of cars travelling to the interior.

The CGT leaders, who also dominate the right wing of the opposition Peronist mass movement, claimed the strike was "a referendum where the people will say they are tired, that they want a change."

Government officials charged that the strike, the 11th such stoppage by the CGT against the Government since Mr Alfonsin took office in late 1983, was politically motivated.

Officials concede that the standard of living has fallen. Inflation was 206.5 per cent in the year to March. Prices rising by 14.7 per cent in March alone and economists say that wages are falling behind inflation.

The CGT is demanding measures to improve wages and create jobs. It claims an average family needs 2,115 australs (about $350) a month.

The minimum legal wage, which the Government increased a few weeks ago, is 520 australs.

Canadian securities body faces major test

By David Owen in Toronto

WITH a major insider trading probe now well into its second year, the Ontario Securities Commission (OSC) is in danger of losing an important investigative tool, following a legal challenge by a key witness in its enquiries.

Mr Michael Biscotti, a former Dominion Securities vice president, is contesting the constitutionality of a summons requiring him to appear before the OSC to answer questions about his trading activities.

The summons is served under Section 11 of the Ontario Securities Act. This section empowers the commission to summon witnesses, compel them to give evidence under oath and to produce documents.

Mr Biscotti, who retired on March 31, argues that the section violates Canada's Charter of Rights and Freedoms by contravening the right against self-incrimination. He appeared before the OSC last month but refused to answer questions in the absence of full particulars of the allegations against him.

The commission has now asked the Supreme Court of Ontario to find Mr Biscotti in contempt "by reason of his refusal to answer questions in an investigation under Section 11 of the Ontario Securities Act." Alternatively, it has requested a court order requiring Mr Biscotti to answer questions under the powers of Section 11.

A court hearing has been set for May 24.

Colombia justice minister appeals over drug arrests

BY SARITA KENDALL IN BOGOTA

MR Enrique Low Murtra, Colombia's Minister of Justice, has appealed to the Council of State to restore orders for the arrest and extradition to the US of five top cocaine traffickers.

Mr Low has raised several legal points to support his case following last week's visit to Bogotá by Mr Edwin Meese, the US Attorney General.

The ruling against extradition was originally made by one lawyer, but now the full Council of State will decide on the minister's appeal.

Although the army's 4th brigade has carried out 94 searches in the Medellin area during the last three weeks, narrowly missing cocaine king Pablo Escobar, there are no arrest warrants for the traffickers.

Large quantities of weapons, communications equipment and cars have been taken, as well as 38 prisoners.

General Jaime Ruiz, the commander of the 4th brigade, said he was surprised by the release of some of these prisoners by Medellin judges and was asking for an investigation. A colonel in the brigade has been sacked after he was found to have links with traffickers.

Tapes and documents discovered during the searches have apparently yielded important intelligence.

General Ruiz revealed a list of possible victims against whom the traffickers had grudges. He said that "Popeye", the chief of a gang of killers probably responsible for the murder of former Attorney General Carlos Mauro Hoyos, might be among the prisoners taken.

The naming of Horacio Serpa Uribe as Attorney General is already causing controversy. Although the appointment is a temporary one designed to fill the gap until congress meets to elect a new Attorney General, legal experts have accused the president of acting unconstitutionally in naming a senator.

Entertainer wins mayoral contest

By Louise Kehoe in San Francisco

ENTERTAINER Sonny Bono is to become California's latest celebrity mayor. Following in the footsteps of such actors turned politicians as Ronald Reagan and Clint Eastwood, Mr Bono won a landslide victory this week in his bid to become mayor of Palm Springs.

Mr Bono, whose current interests include a restaurant in Palm Springs, promised voters that he would return some glamour to the affluent but ageing desert resort town.

UN denounces Israel troops in West Bank as out of control

BY ANDREW WHITLEY AND CHRISTIAN TYLER IN GAZA

UNITED NATIONS officials fear that they may no longer be able to protect nearly 450,000 Palestinian refugees in the Gaza Strip entrusted to their care, unless the Israeli army is brought under control.

Mr Bernard Mills, Director of the United Nations Relief and Works Agency (UNRWA) in the crowded enclave, yesterday denounced the army's tactics and behaviour. He complained that the soldiers "show no respect for human life whatsoever."

"I think they look on the Arab population as if they were going *out and shooting rabbits*," he said.

Another top UNRWA official, Mr John Hiddlestone, claimed in Vienna on Wednesday that the army was using new types of highly toxic gas against demonstrators. The gas, whose use has been denied by Israel, was said to have killed at least two Palestinian youths, and caused 60 women in two refugee camps to miscarry.

Mr Mills, a former British Army career officer, said that he had never seen "such callousness" in all his experience of modern conflicts. Three recent letters of protest to the Israeli Military Administrator of the Gaza Strip, Brigadier General Arieh Ramot, about specific abuses had gone unanswered.

Speaking as a fresh wave of unrest rippled across the coastal strip in the wake of Monday's deportation of eight Palestinian leaders, the UN official singled out the beating of children by Israeli soldiers as his greatest cause for concern.

"I can't understand what sort of men they are who can break the limbs of six or seven year olds, or even five or four year olds," he said. According to the relief agency, as of March 25 840 Gazan children aged 15 and younger had required medical treatment for injuries sustained during the uprising.

The UN official also criticised the widespread use of teargas in enclosed spaces and the indiscriminate use of live fire.

Claims that abuses by Israeli troops in the occupied territories have not diminished – despite repeated assurances by government ministers and the army's high command – is bound to renew international pressure on Israel and sharpen domestic controversy.

Strict guidelines on conduct were issued to all soldiers by Brigadier General Amnon Straschnow, the Military Prosecutor-General, after a wave of indiscriminate beatings of Palestinians in February. However, several UN observers in the Gaza Strip said yesterday that in practice the regulations were being ignored – with the clear knowledge of senior officers.

Four sailors hurt as US frigate hits mine in Gulf

FOUR SAILORS were injured yesterday when a US Navy frigate on patrol in the Gulf struck a mine, agencies report from Washington and Bahrain.

Diplomatic sources in the region confirmed it had been a mine, although the Pentagon would only refer to an underwater explosion.

The ship, the USS Samuel B. Roberts, was in no danger of sinking, said the Pentagon. At 10:10am Washington time (1410 GMT), the ship "experienced an underwater explosion in the Persian Gulf at a point approximately 70 miles (113 km) due east of Bahrain Bell [a navigational aid]," it said.

The spot is near Farsi Island, which the Iranian Navy has used in its attacks on Gulf shipping.

The explosion "caused flooding in the engine room and some hull damage. The flooding is under control, and the ship is in the process of pumping out the water. It is operating under auxiliary power."

The incident occurred in the central Gulf, well to the south of the spot where a reflagged Kuwaiti tanker hit a mine in the first convoy operation last July.

Algeria's powers of mediation put to severe test

Algiers has taken on far more than it bargained for, report Francis Ghiles and Andrew Gowers

THE HEADLINE splashed across Algeria's ruling party daily El Moudjaid yesterday morning read *"Optimisme"*. But there was little of that commodity on offer at Houari Boumedienne airport, where negotiations to end the nine-day-old hijacking of the Kuwaiti jet appeared to be encountering increasingly heavy weather.

President Chadli Bendjedid must have been wondering what he had let himself in for in agreeing – at the insistence of Kuwait and France – to allow the hijacked Boeing 747 to fly to his country from Cyprus. After assurances at the time of take-off that a deal had been reached providing for the release of the 32 remaining hostages – including three members of the Kuwaiti ruling family – in exchange for the safe passage of the gunmen, something seemed to have gone seriously wrong.

Well-informed observers in Algiers reckon that the Algerians seriously believed that such a deal had indeed been reached, presumably on the authority of the Palestine Liberation Organisation, whose representatives had been mediating between the hijackers and the Kuwaiti Government. In turn, Cypriot Government officials said yesterday that they had been assured by Algeria that the remaining hostages would be released on the airliner's arrival at Algiers.

The questions yesterday were: why did the Cypriot authorities, who had spent five days while the airliner was at Larnaca carrying out Kuwait's wishes in refusing to refuel it and demanding the release of all the hostages, suddenly change their minds? And why did the PLO, working hard to present itself as a serious mediator, put its name to undertakings which so easily came unstuck?

The reply to the first question lies in the potentially apocalyptic nature of developments at Larnaca airport on Tuesday. The hijackers, donning death shrouds, said they were prepared to blow up the aircraft if their demands for fuel were not met. This appears to have led to a flurry of communications between Cyprus – desperately anxious not to see another hijack massacre on its own soil after the disastrous airport shootout with Egyptian troops in 1978 – and Kuwait, leading to reluctant agreement by both countries to allow the airliner to fly on.

In that sense, the hijackers' release of the 12 hostages may have been exactly what they said it was: just a goodwill gesture.

The second question is more difficult to answer. The PLO and *its chairman*, Mr Yassir Arafat certainly had their own political and public relations reasons to be anxious to claim credit for a deal. It is also quite possible that the hijackers have reneged on undertakings they gave. But it seems clear that the PLO was overhasty in presenting Tuesday night's arrangements as a sealed package. It would not be the first example of the guerrilla organisation's lack of realism by any means.

The one positive feature about the situation yesterday was the continuing absence of the violence which claimed two Kuwaiti lives at Larnaca. The hijackers have pledged, according to Mr El-Hadi Khediri, the Algerian Interior Minister who is overseeing negotiations, to try to stay calm.

In the circumstances, though, it was difficult to see a way out of the impasse. Kuwait simply cannot afford to capitulate to the hijackers' demand for the release of 17 Arab prisoners from a Kuwaiti jail. This hijacking is setting a unique test for Algeria's proven negotiating skills.

Fears rise over French hostages in Lebanon

BY GEORGE GRAHAM IN PARIS

ANXIETY over the fate of the three remaining French hostages in the Lebanon has increased steadily *as the hijack of the* Kuwaiti airliner has dragged on.

While few concrete details had emerged, hopes had risen in France for the release of at least two of the hostages held by an Iranian-linked terrorist group in the Lebanon.

A combination of statements by Iranian leaders and of the *presence in Beirut and in Syria of* unofficial representatives of the French government had raised speculation that a deal was being negotiated for a release before the French presidential election in ten days time.

Soviet pull-out foreshadows war among victors

BY BRUCE CLARK

WHATEVER the superpowers do about supplying their Afghan clients, the war is almost bound to go on. The question is whether the rebels will stay together long enough for a joint assault on Dr Najibullah in Kabul, or start fighting each other first.

Even if they do join forces to seize Kabul, a civil war among the victors could follow; and in any case divisions in the rebel alliance have deepened in recent weeks.

Afghanistan's harsh terrain and fiercely independent history have left its people with little experience of effective central government. Loyalties to family, tribe and religious elders are traditionally much stronger than any affinity to the authorities in Kabul.

The splits running through its anti-communist majority reflect deep ethnic, sectarian and regional differences.

Of the 18m people who lived in Afghanistan at the time of the 1979 Soviet intervention, about 7m were of the Pushtun race which also inhabits north-west Pakistan. There were also 3.5m Tajiks, 1m Uzbekhs and 125,000 Turkmens, all with ethnic cousins in the Soviet Union.

While all these groups are Sunnis, the 1m Hazaras, at the bottom of Afghanistan's social scale, are Shi'ites: so are the 600,000 Farsiwans of western Afghanistan.

The Pakistan-based insurgents who have been harassing the Soviet forces and their Afghan allies with US, Chinese and Saudi help claim to operate freely in about 75 per cent of the country. But the central authorities control all the towns.

It was largely under pressure from foreign friends that seven rebel groups came together three years ago to form a fragile "alliance", based in Peshawar. The insurgents differ profoundly in their vision of a Soviet-free Afghanistan.

Broadly, three of the groups are led by "nationalist" or "moderate" figures drawn from the traditional land-owning class that dominated the countryside before 1979.

Among these leaders, Mr Sayed Gailani is probably the best-known. Although he is a hereditary saint in the Sufi mystical tradition, and his party is called the Nationalist Islamic Front of Afghanistan, he is a relatively sophisticated, westernised figure: he used to sell Peugeot cars in Kabul.

The strongest of the "moderate" groups in military terms is the Islamic Revolution Movement, led by Mr Mohammed Nabi Mohammedi, and said to be in some internal turmoil, while much the smallest is Mr Sibghatullah Mojadidi's National Liberation Front.

The "moderate" camp have called for a *jirga* or national meeting of traditional elders. That could lead to the recall of ex-King Zaheer Shah, who has been in exile in Rome since being overthrown by his centre-leftist cousin, Mohammed Daoud, in 1973. The ex-King himself recently broke silence to endorse the idea of a *jirga*.

There have been complaints among the moderates that the fundamentalists have got the lion's share of military help from abroad; for example the Stinger anti-aircraft missiles that decisively altered the military balance in the rebels' favour are said to reached the moderates several months after the fundamentalists received them.

The fundamentalists, who favour a centralised Sunni state, are adamant in opposing the return of the king. The toughest, shrewdest and most controversial of their leaders is the 38-year-old Mr Gulbuddin Hekmatyar, current spokesman for the alliance and apparent winner of a bitter inter-alliance dispute that came to a head last month.

He has been waging guerrilla war in the cause of a Sunni state since before the monarchy was toppled 15 years ago.

Also in the fundamentalist camp is *the septuagenarian cleric Mr Yunis* Khalis, whose fighters are mainly Pushtun, and Mr Burhanuddin Rabbani's Jamiat group which has a powerful base among the Tajiks of the north. Professor Rasul Sayaf heads the smallest of the fundamentalist factions.

In February, the seven groups made a *seemingly impressive display of unity* by naming a government-in-exile. The designated "president" was Mr Ahmed Shah, a US-trained, Saudi-backed engineer from the fundamentalist camp, while the son of the moderate Mr Mojadidi was named "vice-president".

Only weeks later, alliance unity was in shreds. After a dispute that was nominally over whether to send delegates to the UN peace talks in Geneva, Mr Yunis Khalis resigned as alliance leader, and was succeeded by Mr Hekmatyar.

Mr Hekmatyar is believed to be *mistrusted by his fellow fundamentalists,* and deeply disliked by the "moderates", in particular Mr Mojadidi. The two men are reported to have trained guns on each other at a recent alliance meeting.

Mr Olivier Roy, a French expert on Afghanistan, believes it was Pakistani army pressure that precipitated last month's inter-alliance crisis and propelled Mr Hekmatyar, their favoured son, into the leadership.

Mr Roy believes that if an alliance among the seven groups were somehow preserved, the Najibullah regime could crumble without a fight; but the Pakistanis, he maintains, fear a united Afghan movement that could revive claims to a greater "Pushtunistan", embracing the North-West Frontier Province.

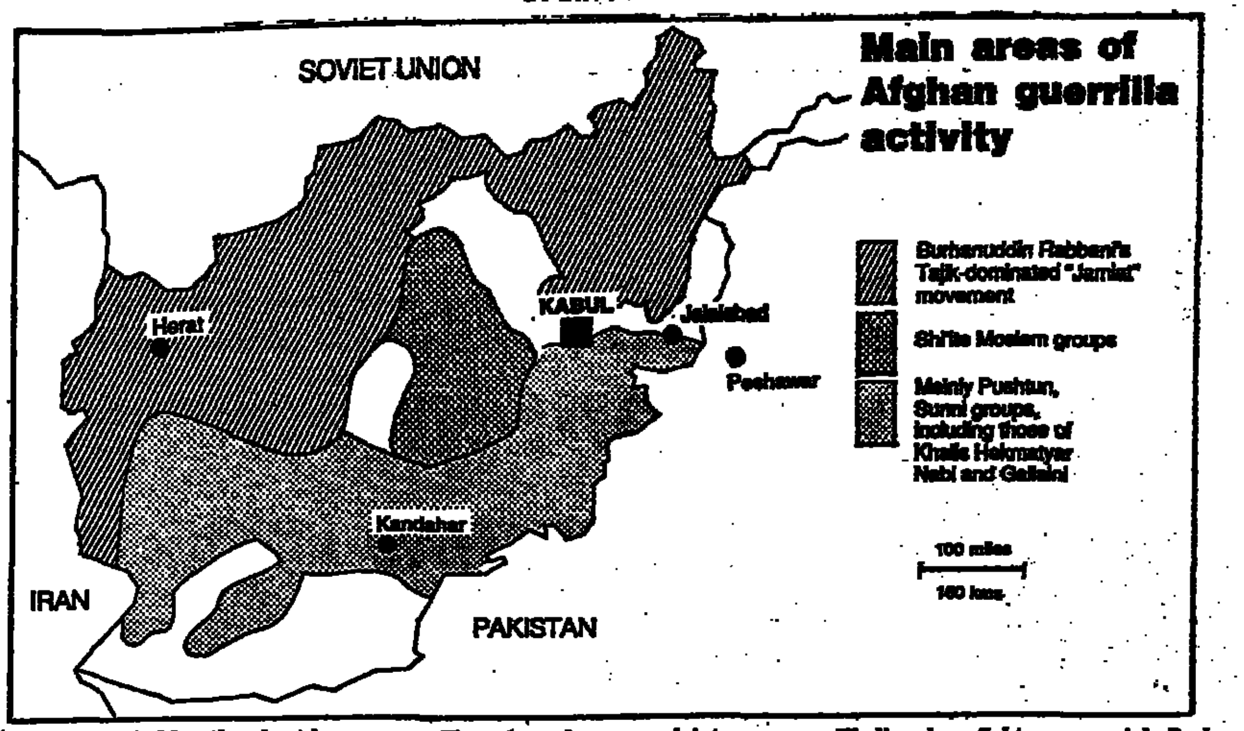
Rather than see a gradual takeover of Afghanistan by a unified guerrilla movement, Pakistan would prefer a quick assault on Kabul by Mr Hekmatyar, in Mr Roy's view. It is not clear that *such* an attack could succeed, he says, given that Moscow is pumping in supplies, and the Kabul regime can probably count on 50,000 loyal fighters.

As the situation grows more fluid, the balance of power may move away from the political leaders in Peshawar and towards their commanders in the field: the best-known of these are Mr Ahmed Shah Masood, Mr Ismael Khan, and Mr Abdul Haq.

But the influence of Mr Hekmatyar in particular appears to be on the increase, and he is likely to remain an object *of* bitter controversy, blamed by some moderates for inter-factional killings and hijacking his rivals' supplies.

While the Peshawar groups enjoy blazing publicity, much less is known about the activities of the smaller, pro-Iranian Shi'ite guerrilla groups operating west of Kabul.

These groups, fiercely critical of the Peshawar fighters for their links with the US, are scarcely in a position to make a bid for power. But whatever emerges as the new regime in Kabul, there is no reason to think that the Shi'ite Hazaras will happily settle down to being underdogs to the Pushtuns.



Blow for Zia in failure to secure stable Kabul regime

BY JOHN ELLIOTT, SOUTH ASIA CORRESPONDENT

PAKISTAN faces a period of uncertainty and potential instability following the signing of the accord. The pact may create more problems than it solves for this sensitive Moslem buffer state. And it marks a rare diplomatic defeat for General Zia ul-Haq, the country's astute president.

Pakistan has wanted a regime in Kabul which will be strong, stable, and sufficiently independent of the Soviet Union to bring peace. It has hoped that such a regime would lead to the 3m to 3.5m Afghan refugees in Pakistan going home, and that it would reduce the risk of violent disturbances in border areas which could spill over into Pakistan.

It was to achieve these aims that Pakistan called for the establishment of an independent interim government before any agreement was signed in Geneva. But Pakistan failed to win superpower support, and it was worried by veiled threats that Soviet-Afghan forces would step up the bombing of border areas.

There was considerable domestic political mistrust of the interim government demand because opposition politicians in Pakistan and many independent observers believed, justly or unjustly, that President Zia was merely trying to delay a settlement.

President Zia's regime has thrived on the Afghanistan conflict because it has brought substantial US defence and economic aid, which has helped to keep the armed forces happily equipped with modern weapons as well as helping to finance a fragile economy.

But while President Zia might not want a settlement, domestic pressure has mounted for the refugees to go home. *Their presence* in the country, and the use of Pakistan as a arms supply route to the Mujahideen guerillas, has helped to develop major problems of drug addiction and an easy supply of guns. This has led to rapidly increasing lawlessness and ethnic unrest, especially in the southern city of Karachi and the surrounding province of Sind.

But it is far from clear whether such problems will now be eased. The drug trafficking from Afghanistan might not decline, and the flow of guns into Pakistan's open arms bazaars might increase rather than decrease if the Afghan fighting does slow down. (This is also worrying neighbouring India because sophisticated weapons meant for the Mujahideen are now being obtained by Sikh extremists

Pakistan might also find it harder to persuade the US Congress to continue its approval of annual allocations from a new $4.06bn six-year package. The US Government might merely want to switch more money from defence to economic aid. But the US Congress is likely to take a tougher line and increase its opposition to the aid because of widespread suspicion that Pakistan is developing nuclear weapons.

Pakistan's most important immediate problems, apart from the future of the refugees, concern the continued use of its territory by the US for military supplies to the Mujahideen, and the security of its border area with Afghanistan.

The US is expected to continue supplying weapons as long as the Soviet Union arms the Kabul regime. But Pakistan fears reprisals if it allows these arms to be passed on to the Mujahideen – as it will have to do. It cannot afford to upset the guerrilla leaders who could easily cause disruption within Pakistan.

The border is defined by the Durand line, which was drawn arbitrarily by the British in 1893. Afghanistan has never accepted the line and provocatively raised its claims recently in Geneva where Pakistan had hoped that the issue would be settled as part of the accord.

Now Pakistan fears that demands will be revived by the Pushtons, who live on both sides of the border, for the establishment of their long-standing dream of Pakhtoonistan to include a substantial part of Pakistan's North West Frontier Province. That would seriously destabilise the border areas, which might in any case be affected by the continued fighting and tribal revenge killings as the Soviet troop withdraw.

General Zia ul-Haq: rare diplomatic defeat

Dilemma as 5 million refugees contemplate returning home

BY JOHN ELLIOTT

A FEW weeks ago, as the Geneva talks were starting, officials dealing with the 3m to 3.5m Afghan refugees in Pakistan were relatively confident that at least 80 per cent, and maybe 90 per cent, would want to go home quickly after a settlement. Now, as they examine the terms of this week's deal with its risk of continued fighting and unrest, they are not so sure.

It is likely the refugees will be torn as to what to do. There will be an instinctive desire to *respond to the tribal pull of their* mountainous home lands and pack up their mules, carts, ancient lorries, and garishly painted buses and hurry back. But many of the older tribal and village leaders, who still wield authority, will fear that families could be killed in continued fighting, either on the journeys of up to 800km to 900km, or when they arrive. So they will probably first send scouting parties to report

But even if there is relative peace, no-one is really sure how the refugees will react. Pakistan wants them to go, but will not hurry or harass them unduly. Forecasts by refugee experts in Pakistan for the numbers likely to go by the end of this year vary from 500,000 to 2.5m, with the total exercise taking between 18 months and two years. But most agree that only about 10 per cent, or maybe even less, will not want to go at all – and they may change their mind if the Pakistani police, government officials and people make their lives difficult.

There are about 5.5m Afghan refugees outside Afghanistan, including 2m in Iran and 500,000 scattered in the US, Europe and elsewhere in addition to those in Pakistan. *Estimates suggest that* there are as many as 3m to 4m more displaced inside Afghanistan, which means that the true refugee total is well over 50 per cent of the country's population of 15m when the Soviet troops arrived in 1979.

So the eventual return will be the biggest migration since the bloody partition of India and Pakistan in 1948, when 13m people are estimated to have been on the move. But those Hindus and Moslems were moving between established viable economies: the Afghans will be returning to a country where at least half the villages, roads, irrigation and drinking water systems, and other infrastructural props of an agricultural economy have been devastated by war.

The US Government this week asked for a massive international aid effort, probably co-ordinated by United Nations organisations, to help the resettlement. Agencies such as USAID, the UN High Commission for Refugees, and the Pakistani authorities have started working on outline plans for helping to transport, house, and feed the refugees and provide health care. This will be needed both on the return journeys, which will vary from quick two-day trips to arduous 800km to 900km treks, and when the refugees arrive in their villages.

Mr Kevin Lyonette, chief of the UN refugee commission in Pakistan says: "First we shall need an 18-month emergency rehabilitation programme to get people through their first crop cycle. Then there will have to be a massive development effort by the international community, possibly continuing for years."

The last thing anyone wants is a famine that could drive the people back across the border into Pakistan, with all the political unrest that could cause in a country which will assume it has bid the refugees farewell.

MAIN POINTS OF THE PACT

THE COMPLICATED, sometimes ambiguous, arrangements for the departure of Soviet forces from Afghanistan are detailed in three agreements and a brief declaration of guarantees by the US and Soviet Union signed in Geneva yesterday. An accompanying memorandum spells out the UN's role in monitoring their implementation, writes William Dullforce in Geneva.

Under an agreement on "the principles of mutual relations, in particular on non-interference and non-intervention", Afghanistan and Pakistan undertake to order their future behaviour. Among 13 specific obligations each undertakes:

- To respect the other's right freely to determine its own political, *economic, cultural and social* system . . . without outside intervention, interference, subversion, coercion or threat.
- To refrain from threat or the use of force . . . to overthrow or change the political system of the other.
- To ensure that its territory is not used in any manner which would violate the sovereignty, political independence, territorial integrity and national unity of the other.
- To refrain from armed intervention, subversion, military occupation or any act of military, political or economic interference in the other's internal affairs.
- To refrain from the encouragement or support of rebellious or secessionist activities against the other.
- To prevent within its territory the training, equipping, financing and recruitment of mercenaries for hostile activities against the other.
- To refrain from making agreements or arrangements with other states designed to interfere in the other's internal or external affairs.
- To prevent any assistance to, use of or tolerance of terrorist groups, saboteurs or subversive agents against the other.
- To prevent within its territory the presence, harbouring, in camps and bases or otherwise organising, training, financing, equipping and arming of individuals and groups for the purpose of creating subversion, disorder or unrest in the territory of the other. Each undertakes to prevent the use of mass media and the transportation of arms, ammunition and equipment by such individuals or groups.

A second bilateral agreement sets out the arrangements for the voluntary return home of all Afghan refugees in Pakistan. It stipulates that all returnees should enjoy free choice of domicile and of movement in Afghanistan, the right to work, to adequate living conditions and to participate on an equal basis in the country's civic affairs.

The returnees should be ensured equal benefits "from the solution of the land question" and should enjoy the same rights and privileges, including freedom of religion, as other citizens.

The Soviet pullout is to start on May 15. One half of its troops must leave by August 15 and the rest *within nine months.*

The two countries agree in a memorandum of understanding to allow a representative of the UN Secretary-General every facility for monitoring compliance with the agreements.

Deafening silence as damage limitation starts in Moscow

BY QUENTIN PEEL IN MOSCOW

THE REACTION of Soviet citizens to the problem of what happens next in Afghanistan is remarkable only for its absence.

The consequences of the imminent withdrawal of Soviet troops from their most recent and dramatic foreign intervention have barely begun to sink in in domestic terms, and the normally vociferous commentators and analysts of the *Soviet* press have been reduced to virtual silence.

Even the mighty Pravda, organ of the Communist party, could only manage a feeble comment yesterday that it was "too early to say" whether the Geneva agreement on an end to foreign intervention would actually bring peace to Afghanistan.

Western observers in Moscow are convinced that Mr Mikhail Gorbachev, the Soviet leader, and his foreign policy advisers, know that they cannot guarantee the survival of President Najibullah without the presence of Soviet troops to support him. Nor do they believe that Moscow has any realistic alternative leader in mind to ensure the continuation of a reliable pro-Soviet regime.

On the other hand, there is little doubt that the Soviet Union would like to buy as much time as possible for its ally, by shipping in large quantities of arms and material in recent months, leaving behind much of the equipment used by the Soviet troops themselves, and backing him up with the continuing presence of civilian – political and security – advisers.

The alacrity with which Mr Gorbachev returned to his original date for starting the withdrawal – May 15 – in spite of the delay in getting the Geneva agreement signed, and the failure to get a US commitment to cut off all supplies from the Afghan guerrillas, suggests that his overriding priority *has* been to get moving before the East-West summit, regardless of the consequences for Dr Najibullah.

Soviet commentators have restricted themselves to the thought that it is now up to the Afghans themselves to decide what sort of regime they will have. "Now the Afghan people themselves can decide the question of their government and their future, without any pressure from outside," foreign affairs analyst Pavel Demchenko wrote in yesterday's Pravda. "That is most important."

But one Western diplomat in Moscow says: "It is a major defeat for them, but they are managing to make it look like a minor one. They are now involved in a large-scale process of damage-limitation."

Whatever regime emerges in Kabul, Moscow's aim will be to return to its traditional policy of good neighbourliness, the commentators say. Two senior figures – Mr Gennady Gerasimov, the government's chief spokesman, and Mr Yevgeny Primakov, director of the Institute of World Economy and International Relations – have ruled out any renewed intervention in recent statements, and Moscow observers believe them.

"They have accepted the fact that they may get a different type of regime. They must even have accepted the risk of a fundamentalist Islamic regime. But they have learned to live with the Iranian regime," according to one European diplomat.

"They have to choose between living with unpredictable instability, or predictable instability. Afghanistan has always been the latter, and will probably continue to be. They just want to be sure that it does not continue to be the former."

Iran manoeuvres to retain war supplies

BY ANDREW GOWERS, MIDDLE EAST EDITOR

THE accord coincides with a delicate phase in the Soviet Union's relations with another country which shares borders with it and Afghanistan, namely Iran. It also has crucial and surprising implications for the United Nations effort to end the Gulf war.

Although it was not directly involved in United Nations efforts to end Soviet involvement *in the country*, Iran could not fail to be an important player in the manoeuvring that has led to Moscow's decision to withdraw its troops, and in the aftermath. It has up to 2m Afghan refugees on its soil, a burden second only to that suffered by Pakistan.

The revolutionary Iranian leadership, whose official demonology has traditionally ranked the Soviet Union second only to the "Great Satan", America, has also been a key supporter of the Mujahadin opposition. It has itself been no slouch when it comes to interfering in Afghanistan's internal affairs, playing Mujahidin factions off against one another and building links with the country's Shia Moslems, believed to constitute between 10 and 15 per cent of the population.

This week, the Islamic republic has welcomed the Soviet withdrawal as long overdue, but has made clear that it has no intention of reducing pressure on the "puppet regime" the Soviets are leaving behind in Kabul.

Behind the scenes, however, Tehran has been *playing* a typically clever game by indicating its willingness to assist the Soviets in leaving Afghanistan, provided Moscow plays ball by not agreeing to Western efforts to impose an arms embargo on Iran over its refusal to cease hostilities in the war against Iraq. This carrot is accompanied by an important stick, since Iran can make life very difficult for the withdrawing troops in the next nine months.

This has clearly been a big factor behind Soviet unwillingness to proceed to an arms embargo to follow up UN Security Council resolution 598. Western and Arab diplomats now accept there is no chance of such a sanction soon.

US and Soviet Union agree to boost trade

BY QUENTIN PEEL IN MOSCOW

THE US and Soviet Union yesterday agreed modest measures to boost bilateral trade, although political relations will still dictate the trading climate between the two for the foreseeable future. The agreement came at a trade promotion conference in Moscow.

The official steps include encouraging potential importers and exporters to use the other country's trade offices, expanding the number of trade missions in each direction, holding a series of legal seminars to promote understanding of both sides' commercial legislation, and improving the facilities for business representatives trying to import and export between the two superpowers.

The two sides have also agreed to include the promotion of commercially-viable joint ventures in their overall trade agreement, and to set up working groups in areas the Soviet Union is keen to expand: oil and gas equipment, construction equipment, medical supplies, and consumer goods.

Mr William Verity, US Secretary for Commerce, who led the US team, stressed above all the US concern about human rights in the Soviet Union, and particularly emigration of Soviet citizens, which, he said, would have a "direct effect on our ability to take steps that will expand trade."

He also insisted that protecting American and Western security will "continue to govern expansion of that trade" - stating that the US export controls on strategically-sensitive technology were not discussed at the talks.

Mr Verity ruled out Soviet membership of the General Agreement on Tariffs and Trade on the grounds that it was not a "market-oriented economy", but said the question of most-favoured nation status for the USSR "will continue to be discussed and reviewed".

Market burden 'hits car makers'

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

THE fragmented West European market imposes an extra costs burden on a European-based volume car maker of as much as $800m (£444m) a year, according to a study by the Motor Industry Research Unit of the University of East Anglia.

In addition, border controls and the absence of a harmonised system of car taxation distort and depress car sales, the report* says.

It adds that the harmonisation of value-added tax and car purchase taxation at a level of 14 per cent would increase total car sales volumes in West Europe by 1.5m units or 13 per cent a year.

"Such a fragmented market penalises European motor manufacturers as well as consumers, preventing the minimisation of production and development costs, and restraining demand."

European car makers, particularly in France and Italy, are becoming increasingly vocal in calling for protection against car imports, particularly from Japan, but also from South Korea and Taiwan, if existing EC quotas and restraints are removed after 1992 - the European Community's target date for the removal of internal trade barriers.

The study points out that the creation of a single EC market would stimulate competition not only between European manufacturers but also between European and overseas producers.

"Although the overall effect of greater competition could be expected to be beneficial, it would have a negative effect on weaker manufacturers, and in extreme cases might force manufacturers out of business."

In studying the cost implications of the removal of barriers to trade and the elimination of market distortions, the report goes beyond the EC's immediate programme for 1992.

It maintains that considerable benefits would be gained by introducing wider harmonisation and by extending the benefits of a homogeneous market to the European Free Trade Association.

The report adds that to achieve an effective internal market it is also vital to have:

- currency stability and the free movement of capital,
- the elimination of selective state aid,
- the establishment of veritable European enterprises,
- liberalisation of the transport market.

The report claims that the biggest cost savings to be won by European car makers would come from a harmonisation of technical standards.

For a European car maker selling around 1.5m units a year - the Volkswagen group which led the West European sales league had sales last year of around 1.85m units, while Renault in sixth place had sales of 1.31m - and exporting 770,000 units within the EC, the saving in this area alone would be some $360m.

The cost of existing border controls for such a manufacturer is estimated at $175m a year.

The study says that by eroding existing barriers in the European market, the internal market would tend to harmonise car prices and consequently raise the level of competition in Europe.

* *A Single European Market - An Automotive Perspective. Published by The Motor Industry Research Unit, in association with the University of East Anglia. £195 ($370).*

Japanese reluctant to swallow plan for liquor tax reforms

BY CARLA RAPOPORT IN TOKYO

JAPAN'S efforts to reform its liquor taxes are not proceeding smoothly, according to a top EC official in Tokyo yesterday.

The issue of liquor tax reform has been one of the hottest controversies between Europe and Japan over the past few years.

Last year, the Gatt ruled that Japan's tax structure discriminated against imports and Japan accepted the ruling. It has since told UK and Commission officials that the matter will be settled by the end of this year.

Mr Jos Loeff, the EC's Deputy Director-General for External Relations, said yesterday that the Japanese appeared set to comply with only part of the ruling, which would not satisfy Brussels.

Following talks with government officials this week, he added: "The feeling which I have and the mood in Brussels is that they will not fully abolish the unfair taxes."

This statement contrasts with that of Lord Young, UK Minister for Trade and Industry, who was in Tokyo last month. He then said the matter of liquor tax reform would be solved this year.

Late last year, Mr Sosuke Uno, Japan's foreign minister indicated to Mr Willy de Clercq, EC commissioner for Foreign Affairs, that a concrete plan for liquor tax reform would be in place before the Economic Summit in June.

Mr Uno: concrete plan

Nonetheless, Mr Loeff yesterday expressed extreme concern about the matter. "They still don't grasp the importance of this issue." He added: "I'm very much afraid there could be a misunderstanding in this field."

The matter, however, arises against a background of improving trade between Europe and Japan.

The other issues which the Community is still pursuing with Japan are reform of its tax structure for large cars, equal treatment for European companies on public works projects and, most recently, talks on over-capacity in shipbuilding.

Korean Air in $1.5bn deal for 10 Boeing aircraft

BY MAGGIE FORD IN SEOUL

KOREAN Air is to buy 10 Boeing 747-400 jet aircraft in a deal worth $1.5bn (£833m).

The order was announced in Seoul yesterday by Mr Cho Chung Kun, president of the airline, and Mr Frank Shrontz, chairman of Boeing of the US. The aircraft will be delivered over the next three years at the rate of two a year and the remainder when they are required.

Korean Air is to pay 20 per cent of the purchase price in advance and 80 per cent on delivery.

The new order will bring to 13 the number of Boeing 747-400s operated by Korean Air.

Belgians to help build parts for new Airbus

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BELAIRBUS, the Belgian company set up to work on wing components for the Airbus A-310 and A-320 airliners, is also to help build parts for the new Airbus A-330 and A-340 airliners.

Belairbus comprises three Belgian companies of Sonaca, Asco and Watteeuw, and its share of the A-330/A-340 programme will amount to 2.6 per cent, bringing business to Belgium worth about $600m (£333m) between 1991 and 2005.

The company will make the leading-edge slats and slat-tracks for the common wings of the two aircraft. It already builds these components for the wings of the A-310 and A-320.

Norway, Belgium sign agreements over gas

BY KAREN FOSSLI IN OSLO

NORWAY and Belgium yesterday signed agreements covering the landing of Norwegian gas from the Troll and Sleipner fields in Zeebrugge, Belgium, and a convention which allows participants in the preject to avoid taxation by both countries.

In 1986, Norway secured a gas sales agreement with a consortium of European buyers to supply 450bn cubic metres (bcm) of gas over a 30-year period. The deal has been expanded to include Austria and Spain bringing total supply up to 510 bcm and total investment to NKr55bn.

Signing the treaty, Mr. Firmin Aerts, the Belgian Energy Minister, presented his Norwegian counterpart, Mr. Arne Oeien, with a list from Belgian companies which hope to win contracts for the project's Zeepipe, which will transport the bulk of the gas supply to the Continent. It is to span some 830km of the offshore continenal shelves of five countries - Norway, Denmark, West Germany, Holland and Belgium.

Distrigaz, the Belgian state gas company, will hold a 51 per cent stake in a terminal at the landing site. The Norwegian Zeepipe group will own the remaining shares in the terminal which is to be operated by Statoil, the Norwegian state oil company.

Australia, NZ make the Chile connection

In the second of two articles on Chile, Chris Sherwell looks at Australasian investment there

AUSTRALIAN and New Zealand companies have responded enthusiastically to Chile's drive to attract foreign investment. At least six companies over the past two years have been attracted by Chile's cleverly-devised incentives, ignoring domestic criticism of General Augusto Pinochet's human rights record.

The catalogue of Antipodean companies interested in Chile is headed by Broken Hill Proprietary, the minerals, petroleum and steel giant which is Australia's largest company. BHP owns 60 per cent of the world's biggest undeveloped copper ore body at Escondida, high in the Atacama Desert of northern Chile.

This stake was acquired when BHP bought Utah International, the US minerals group. Last month, BHP and its main partners, RTZ of the UK and Mitsubishi Corporation of Japan, signed a foreign investment contract with the Chilean government.

A month earlier they signed letters of intent with Japanese, West German and Finnish smelters for most of the mine's output, and are finalising funding of A$1.1bn to develop the mine.

Mr Alan Bond, one of Australia's most mercurial entrepreneurs, is also involved in Chile. His personal gold company, Dallhold Resources, acquired the 240,000 ounce-a-year El Indio mine in Chile when it bought the US company St Joe Gold from Fluor Corporation last August for US$500m.

Then at the end of last year his Hong Kong-listed group, Bond Corporation International, won the chance to buy a 30 per cent stake in Chile's national telephone company for a reported $112m.

The sale is part of the government's privatisation programme, and Mr Bond is expected to raise his stake to 45 per cent by subscribing to a US$150m rights issue. Speculation has also grown that Mr Bond will place a satellite above South America to carry both telecommunications and broadcasts.

In another recent deal, Ansett Airlines, the Australian airline jointly owned by Sir Peter Abeles' TNT transport group and Mr Rupert Murdoch's News group, signed a technical and management consulting services agreement with Ladeco, Chile's largest private enterprise airline.

Ansett has also negotiated a two-year lease with Ladeco for two Fokker F-27s. But it says it cannot confirm or comment on reports in Australia that it has taken an equity stake in Ladeco.

In many ways the New Zealand interest in Chile is even further advanced than Australia's:

- Carter Holt Harvey, a New Zealand forestry, fishing and building products group, has moved furthest. In 1986, it joined with the Angelini group in a new medium density fibre plant in Chile.

Later that year it invested $164m in another joint venture with Angelini called Los Andes Development and Investment. This in turn purchased 53 per cent of Compania de Petroleos de Chile (Copec), a major Chilean forestry and fishing company with sales running into hundreds of millions of US dollars.

Bond: raising stake?

- Fletcher Challenge, New Zealand's largest company, spent US$50m in late 1986 buying a 50 per cent share in a Chilean forestry company and newsprint mill. It has the option of increasing its stake to 100 per cent or converting it to 51 per cent with the right of management.
- The New Zealand Dairy Board has bought a private company called Anagra from the Angelini group. This in turn controls a majority of Soprole, a dairy company which manufactures and distributes dairy products throughout Chile

Anagra is also involved in the manufacture and sale of edible oils and the import and sale of fertiliser products.

Although much of this trans-South Pacific activity seems novel, the connections between Australia and New Zealand, on the one hand, and South America (particularly Chile) on the other, are of long standing.

By the early 1900s Chile was the third most important destination for ships from Australia after Britain and New Zealand. But this changed after the Panama Canal opened in 1914, when trade diminished rapidly.

Although Australian trade with Chile had picked up again by the early 1970s, it fell off because of trade bans imposed by Australian unions after Gen Pinochet's ousting of the left-wing Salvador Allende in 1973. Since these were lifted, trade has recovered to A$30m a year, evenly balanced.

Australia and New Zealand's Labor Governments have been prominent critics of Chile's human rights record. But they have never sought to hinder their companies' investment in Chile.

On Wednesday, Mary Helen Spooner gave a view from Santiago on Chile's drive to attract foreign investments.

GOVERNMENT BLOCKS TRUSTS TAX MANOEUVRE

Capital gains loophole closed

BY RICHARD WATERS

THE GOVERNMENT is to close a loophole created by last month's Budget which has already been used widely by taxpayers seeking to avoid huge amounts of capital gains tax.

The move came with the publication of the Finance Bill, which contains the legislative detail of the extensive tax reforms announced in last month's Budget.

The capital gains loophole arose from the Budget announcement that individuals would pay tax on gains at their top income tax rate after April 6, while trusts would pay only the basic rate of 25 per cent.

For large property owners paying tax at 40 per cent the difference was potentially huge, as tax advisers were quick to spot.

Figures for the value of assets transfered into trusts since the Budget to take advantage of this difference are not known. However, tax advisers yesterday spoke of some firms setting up large numbers of trusts.

"We have only used this for very large amounts of money, rather than setting up trusts wholesale for all our clients," said one adviser.

He claimed to have been involved in two cases "involving millions", one of which was still being organised yesterday morning before the Bill was published.

Many advisers suspected the loophole might be plugged but arranged trusts for their largest property-owning clients in case it scaped through. "It was worth a try," said one.

The Inland Revenue said yesterday that "the Government propose to table the necessary provisions in committee" to block these schemes. It will attack all schemes under which people paying money into a trust, or their spouses, have an interest in income or property from the trust.

It remains unclear whether trusts set up after the Budget and before the new capital gains tax regime came into force on April 6 will escape the anti-avoidance provisions. "It is being argued that some people who got in quick and set up a trust before April 6 may scrape through," said an accountant.

It is also unclear whether the anti-avoidance clause will catch trusts set up in previous years. If it does, many innocent beneficiaries of trusts would be caught.

Tories draw sting from poll tax measures

BY PETER RIDDELL, POLITICAL EDITOR

ONE MILLION more people on low incomes will recieve some help with paying the proposed community charge, or poll tax, – which is intended to replace the present rating (property tax) system – under far-reaching Government concessions announced last night.

The extension of the system of rebates to about 9m people is partly intended to take the sting out of a threatened revolt by Conservative MPs in the House of Commons next week, and the signs last night were that it was succeeding in this aim.

Apart from the 1m more people brought into the rebate net, about 4m who are already eligible for help will now pay less.

The decision, which costs an extra £115m to £130m in a full financial year, was taken by the Cabinet yesterday morning. This followed indications on Wednesday by Mr Nicholas Ridley, the Environment Secretary, that he wanted to meet the concern of the potential rebels about helping the less well-off.

The announcement of the concession by Mr Ridley was last night warmly welcomed at a packed meeting of the Conservative backbench environment committee.

However, Mr Michael Mates, the main sponsor of the rebel Tory amendment, said last night that he would be pressing ahead. He has had the support of 50 fellow Tory MPs - nearly enough to threaten the Government's majority - for a three-tier level of charges tied to the payment of income tax. Mr Mates welcomed Mr Ridley's move but argued that it did not meet his ability to pay requirement. Ministers reject his plan

Nevertheless, senior Tories last night claimed that the extension of rebates would substantially reduce the size of the revolt on Monday.

Tories overcome defections to win debate over dental charges

BY TOM LYNCH

A SIZEABLE rebellion over Government plans to introduce a charge for National Health Sevice dental examinations failed to make a big impact on the Government's majority in the House of Commons last night.

Eighteen Conservatives joined opposition Labour MPs in the division lobbies and a handful of others abstained, but a Labour amendment to the Health and Medicines Bill removing the provision was defeated by a Government majority of 81 (287-206).

However, the debate on the amendment showed the depth of Tory unease over the introduction of charges for dental and optical dexaminations. Five of the eight Tories who spoke in the debate supported the Labour amendment and the speech by Mr John Moore, the Social Services Secretary – still apparently hampered by a throat infection – generated little enthusiasm among Government supporters.

The Tory rebels joined Mr Robin Cook, the Labour Party's spokesman on the social services, in arguing that a charge would deter people from seeking examinations, thus reducing their chances of early dental treatment and the detection of other diseases such as cancers and Aids. They predicted that, instead of the claimed £50m saving to the NHS, extra costs would accrue in the long term through the treatment of disease detected at a later stage.

Mr Michael Carttiss, Conservative member for Great Yarmouth, said the proposal was "quite the most miserable and petty idea that the Government has introduced." It was symptomatic of the Government's "unwillingness to listen."

Mr Roger Sims, MP for Chislehurst, said peole were already reluctant to visit their dentists. "The hurdle we have to surmount in improving dental health is to get people to be checked up in the first place, and we are seeking to make that hurdle higher."

Staffordshire South member, Mr Patrick Cormack, assured Mr Moore that a promise to reconsider would be seen as a courageous act. "There is absolutely nothing to be gained from the point of view of the national health or the Government's health by persisting in this wrong-headed proposal."

Among those who joined the five in rebelling were Sir Barney Hayhoe, a former Health Minister, and Mr Geoffrey Pattie, a former Industry Minister of State.

Mr Cook said the "lonely and friendless measure" was "a flat contradiction" of the principles contained in the Government's White Paper on primary care. Oral cancer was now almost as common as cervical cancer – no-one supported charging for cervical smear tests and dental examinations were the most effective way of early detection of oral cancer.

Taunting Mr Moore with his reputation as "a pioneer of enterprise capitalism" he told him: "You cannot believe in the market unless you accept that the price mechanism works. An increase in price must lead to a reduction in demand."

Mr Moore disputed Labour and Tory rebel claims that previous major increases in dental charges had been followed by a fall in demand for treatment. "Despite free examinations only half of the nation avails themselves of it."

He said 38 per cent of the population would be exempt from the charge on hardship grounds, and the proposed initial figure of £3 was "very modest" for the rest.

LABOUR seized on the publication of the Finance Bill yesterday to renew their charge that the Budget tax changes it authorises establish new frontiers in departing from the tenets of social justice.

Mr Gordon Brown, opposition Treasury spokesman, said in the Commons that there was a widespread and deep revulsion against the "two-nation Toryism" which had produced the most unjust and most socially divisive Finance Bill this century.

In Brief

Jaguar sales up 21% in quarter

Jaguar sales this year rose 21 per cent to 11,987 cars in the first three months, the company's best ever first quarter performance, writes Kevin Done.

"We need to produce more cars more efficiently," said Mr Mike Beasley, Jaguar assistant managing director, "if we are to benefit from this growing demand and at the same time maintain our price competitiveness in the face of increasingly unfavourable exchange rates."

Jaguar sales in the UK in the first three months rose by 28 per cent to 4,183, while sales in the US, where the luxury car market has softened this year, increased by 8.7 per cent to 4,422 units. Sales in continental Europe increased by 26 per cent to 1,867 cars, helped by strong demand in Belgium, France and Italy.

Fake share probe

Irish police and stock exchange officials met to unravel the story behind a series of bogus share certificates which have appeared on the market. The counterfiets are believed to have appeared in the names of three of the Republic's leading companies, Smurfit, Cement Roadstone and Allied Irish Banks.

Mr Tom Healy, general manager of the Irish exchange, said there was no question of suspending dealing in the shares of the companies concerned. It is believed that the forgers used the bogus shares as collateral to raise bank loans.

Booming Wales

Cardiff's Chamber of Commerce said it was surprised by results of its quarterly economic survey which showed that 88 per cent of the polled companies expected higher turnover this year and two out of three a boost in profits.

Leeds and Holbeck

The Leeds and Holbeck Building Society saw pre-tax profits grow by 10.5 per cent to £13m in 1987, while mortgage lending grew by 39 per cent to £309m. The society's assets grew 27 per cent to £967m.

Trust 58% ahead

Unity Trust, the trade union bank, plans to raise £6m in fresh capital in a move intended to help it expand its involvement in employee share ownership schemes. Trust marked its forthcoming fourth anniversary by announcing a 58.2 per cent rise in pre-tax profits to £512,302.

Post haste

The Post Office is to introduce a computerised information system which will feed data on local traffic conditions, the weather and sorting office bottlenecks into a central computer at Chesterfield in Derbyshire. This data will then be used to find the quickest route for deliveries.

Forgings group in buy-out talks

By Nick Garnett

MANAGERS AT Sheffield Forgemasters, the sole British supplier of heavy forgings and castings, are discussing a buy-out of the company, which is jointly owned by the British Steel Corporation and Johnson & Firth Brown.

A team of 20 senior managers has made a formal cash offer for the South Yorkshire company, which last year made a profit for the first time.

A statement yesterday said the cash offer included a share scheme for all 2,500 employees.

The offer is for the whole of the equity and issued convertible loan stock of Sheffield Forgemasters Holdings and is being supported by Causeway Capital and Schroder Ventures.

Sheffield Forgemasters was set up in 1982 as part of the Phoenix programme of rationalisation in the steel industry.

It was under-capitalised, had insufficient management and watched its market shrink dramatically. It incurred losses of £60m in three years and had to be recapitalised in 1984 when management changes were made.

The company made its first profit last year. This was £518,000 on ordinary activities after taxation and minority interests, and £230,000 after extraordinary items. Its loss in 1986 was £2.47m.

Leyland DAF to transfer production to UK plant

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

LEYLAND DAF, the company formed last year through Rover Group's sale of the Leyland Trucks business to DAF of Holland, is to transfer the production of around 1,000 trucks a year from the Netherlands to the UK.

The company said yesterday that production of the DAF 1900 series truck would begin early next year at the Leyland assembly plant, where output is already at a record level.

The transfer of production to the UK is aimed at freeing capacity at the DAF plant in Eindhoven, where the company is seeking to increase output of its top of the range 95 series trucks, which were recently voted 1988 Truck of the Year.

DAF, in which Rover Group holds a 40 per cent stake, increased its net profits last year to Fl 63.1m (£19.12m) from Fl 33m in 1986, on a turnover of Fl 3.6bn (£1.15bn).

DAF is now in fifth place in the West European commercial vehicles market with a share of 9 per cent of vehicles of 3.5 tonnes and above. Production last year reached 42,281, with 17,917 vehicles produced in the Netherlands and Belgium and 9,629 trucks and 14,735 vans produced in the UK.

Mr Aart van der Padt, chairman of the DAF management board, said earlier this year that the former UK state-owned Leyland Trucks and Freight Rover businesses had been profitable from the outset of the takeover in April last year.

DAF said yesterday that net profits would improve further this year helped by higher sales.

● UK car production in March recovered to 106,000 units, on a seasonally adjusted basis, following the sharp fall in February to only 85,000 units caused by the two week strike at Ford's UK plants.

Car production in the first three months of the year increased by 8.1 per cent, not seasonally adjusted, to 306,259 units from 283,233 a year earlier. Output is being boosted by the inclusion of the Nissan cars produced at the Japanese group's assembly plant at Washington in north-east England.

Friday April 1...

In Brief

Jaguar sales up 21% in quarter

Fake share...

Booming Wale...

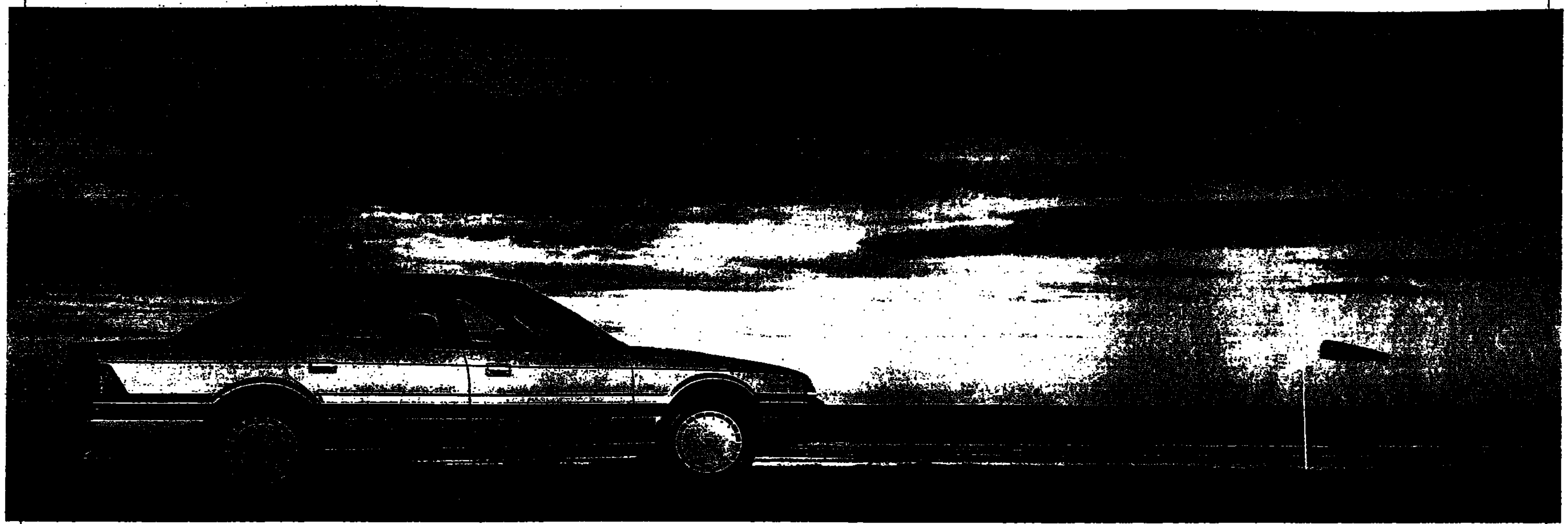
Leeds and H...

Trust 58%...

Post haste

... to trans... UK plan...

THE NEW ROVER 827 SLi BREATHES DEEPER. TO GO FASTER.



Breathe deeper, go faster. What works for the human body also works for the motor car. The deeper it breathes, the better it performs. At 6,000 rpm, the Rover's new 2.7 litre V6 engine inhales 7,440 litres of air every minute.

And it does so with meticulous regularity.

A computer-aided, electronic engine management system sees to that. It monitors the fuel-flow, the air-flow and the engine temperature. At the same time, the computer constantly regulates the quantity of fuel fed to the 24 valve engine, thus ensuring optimum performance.

Which is why you'll not only enjoy awesome power from the 827. But also a ride of uncommon smoothness. Whether you're sprinting 0-60 mph in 7.6 seconds.* Powering through the mid-range. Or cruising serenely along the motorway.

The more oxygen in his lungs, the more power in his legs.

Talking of cruising, the new Si, SLi and Sterling all come with a new standard feature. Electronic automatic transmission.

This means you can now match the car's gearing to the way you want to drive. You can choose between a relaxed four speed operation for effortless motorway cruising. Or you can select the more dynamic sports mode in which the engine reaches higher rpm before changing up.

So much for power and performance. What about good old-fashioned Rover luxury?

Like burr walnut to grace doors and fascia. Flush glazing, electric sun-roof, speed-sensitive power steering and electric windows front and rear.

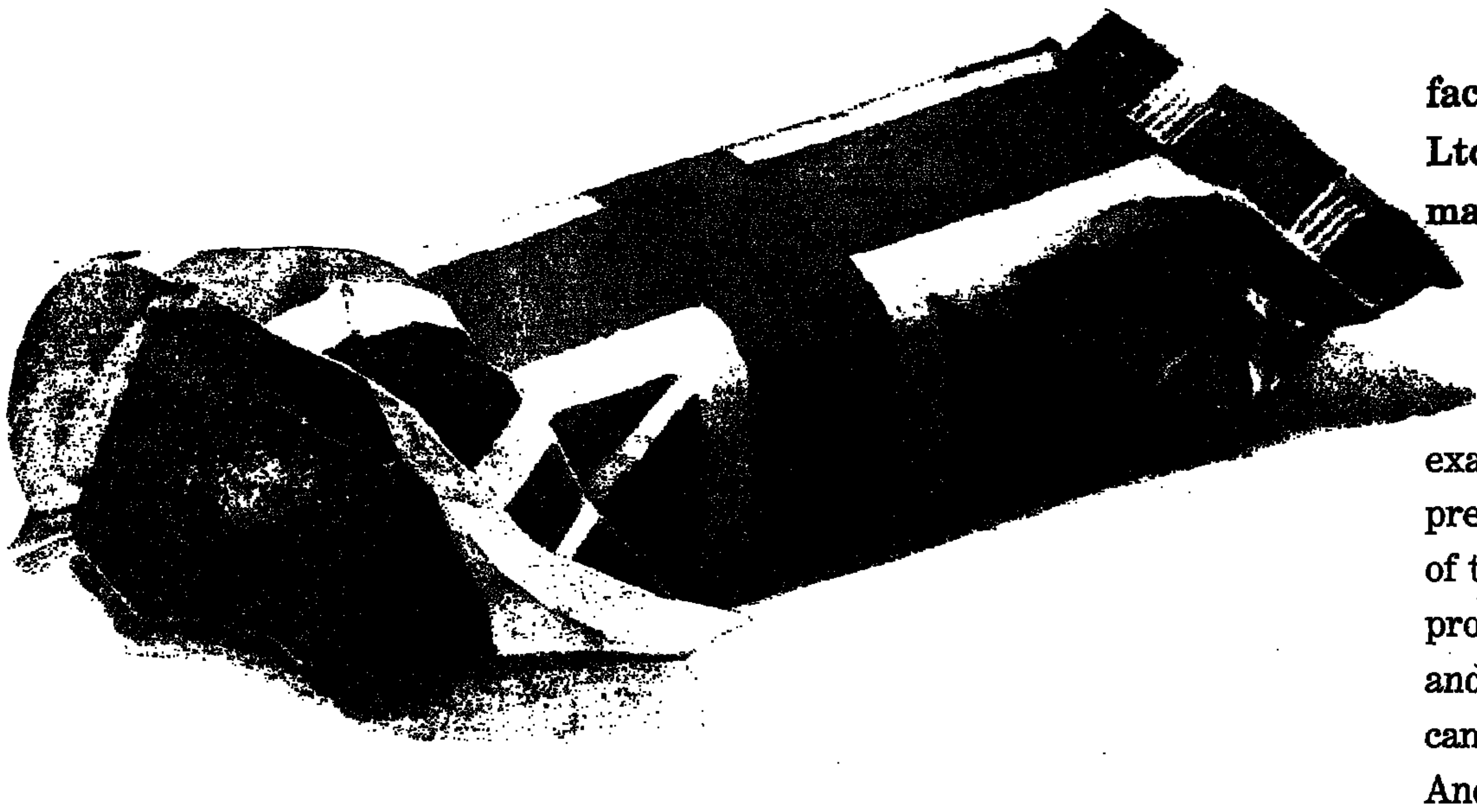
The new Rover 827 SLi has it all, and much more. And it comes to you for £17,878†.

Now, what could be healthier than that?

ROVER 800 SERIES

CAR SHOWN: ROVER 827SLi. PRICE £17,878. ROVER 800 RANGE FROM £12,489 TO £21,380. †ALL PRICES CORRECT AT TIME OF GOING TO PRESS. EXCLUDING NUMBER PLATES AND DELIVERY. *MANUFACTURER'S DATA: FIGURE QUOTED IS FOR MANUAL TRANSMISSION. AVAILABLE AS NO-COST OPTION ON 827 Si AND SLi. FOR FULL DETAILS OF YOUR NEAREST ROVER DEALER RING 01-200-0200. NATIONWIDE CAR RENTAL RESERVATIONS THROUGH BRITISH CAR RENTAL TEL: 0203-77223. TAX FREE SALES INFORMATION 021-475-2101 EXT 220.

Cadbury Schweppes invested £97 million here.



More specifically, "here" was the factory floor. From 1981 to 1983 Cadbury Ltd. spent £97 million making the manufacturing capabilities of the confectionery division among the most modern in the world.

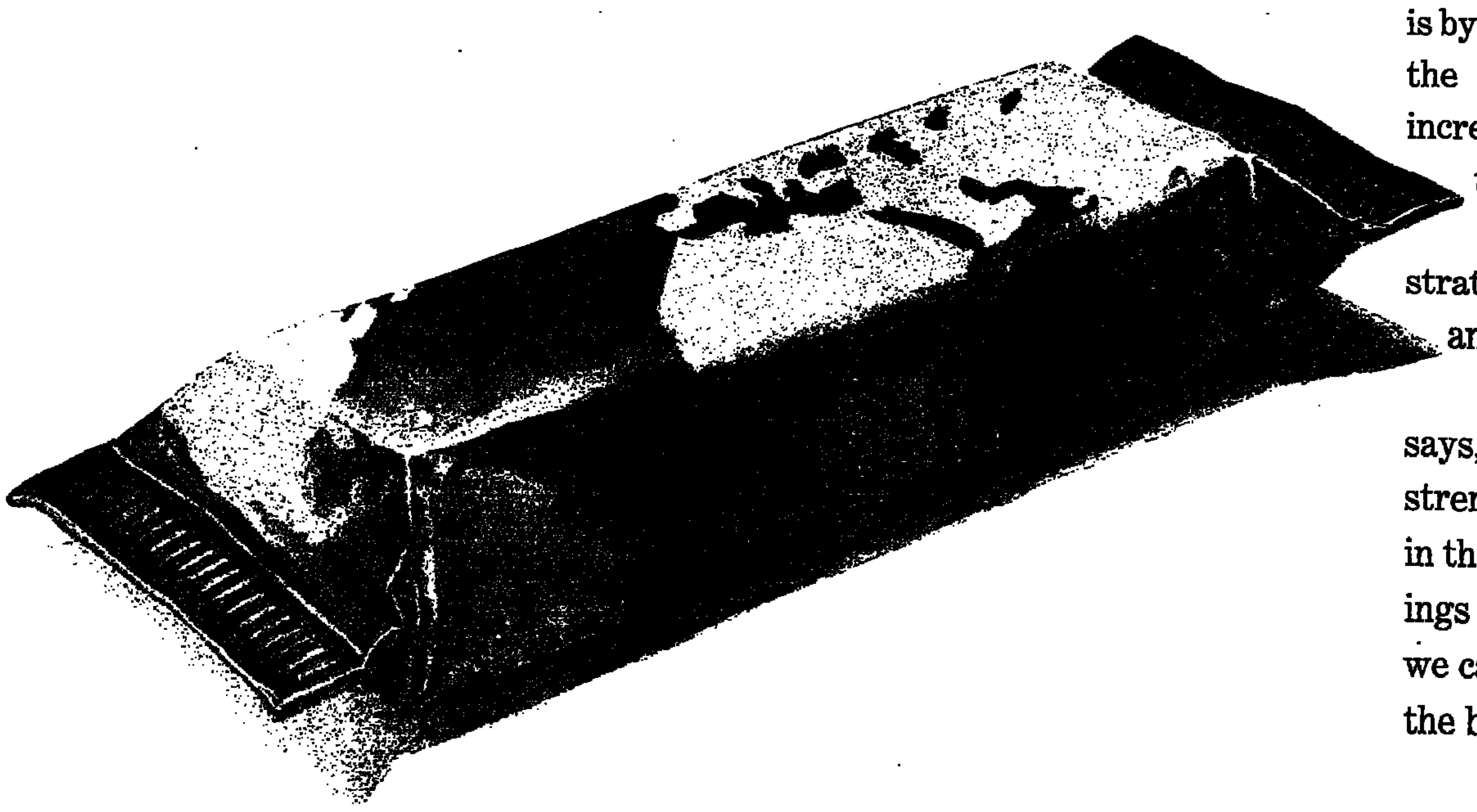
Let us quote just one small but typical example. Crunchie bars are now cut by a high pressure jet of coconut oil. This saves 50% of the honeycomb wasted by the old cutting process. It's one of the many modernisations and rationalisations that gave us a significant increase in productivity per employee. And that provided money – money that was used to boost our marketing effort.

Profits doubled as a result.

So we could capture more of the market we increased our advertising "share of voice" in the sector. In 1987 we invested £3.5 million more than the previous year. We also embarked on a major programme of new product development. 13 brands have been launched since 1980. Biarritz and Wispa are already acknowledged confectionery classics. These moves helped increase our market share to 29% (remember, in a market as huge as this, one percentage point is worth over £20 million).

Aggressive marketing has more than doubled trading profits since 1981, reaching some £57 million in 1987. So carefully planned management is achieving exciting profit growth.

And we're not going to stop there.



The success of Cadbury Ltd. in the UK is by no means the whole story. We've applied the same principle of reducing costs and increasing marketing investment throughout the world. What's more, growth in 1988 will be further enhanced by recent strategic acquisitions in the USA, Australasia and France.

As Chief Executive Dominic Cadbury says, "The management skills which have strengthened Cadbury Schweppes' position in the market place and increased 1987 earnings per share by over 33% will ensure that we capitalise on these new opportunities for the benefit of our shareholders."

Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE

Judge orders acquittal of broker on dealing charges

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE GOVERNMENT'S crackdown on insider dealing suffered a serious setback yesterday when a Crown Court jury was ordered to acquit a former stockbroker accused of two offences under the 1985 Company Securities (Insider Dealing) Act.

Judge Gerald Butler ordered a jury at Southwark, in south London, to return not guilty verdicts on Mr Brian Fisher, who was alleged to have obtained price-sensitive information and bought 6,000 shares in Thomson T-Line hours before the announcement of a takeover bid for the company in December, 1985.

After two days of legal argument the judge decided that Mr Fisher had not "obtained" the information but been given it "without any opportunity for him to prevent that information being passed on."

"Obtaining" in the context of insider dealing involved "actively seeking or acquiring information," the judge said.

The dictionary definition of "obtained" made clear that it did not mean to "accept or receive" but rather to "obtain or procure as a result of purpose and effort."

The judge's ruling will set alarm bells ringing in the Department of Trade and Industry, which handles insider dealing prosecutions. The department has one other case currently in the courts, 15 being investigated by inspectors and a further nine under consideration.

Yesterday, the department would not comment on the case other than to say that it would be studying the ruling. It could mount a challenge by way of a reference of the case by the Attorney-General to the Court of Appeal, but would be in an even worse position if it did that and lost.

A Crown Court judge's decision is not binding on other courts, though it may have persuasive force. If, however, the appeal court were to uphold Judge Butler's ruling it would become binding.

An alternative for the department would be to amend the law, possibly by, for example, making it an offence to deal on the strength of price sensitive information "obtained or received".

SIR JOHN HOSKYNS, director general of the Institute of Directors, said yesterday that any failure by business leaders to maintain the highest standards of integrity was a form of treason against the enterprise culture.

"Every time a failure brings business into disrepute, the only system we know which can bring genuine prosperity for all is seriously undermined," he told a London conference on human resource development.

Sir John said that every lapse in moral responsibility in the world of business would increase the pressure for more laws and greater regulation. Already, directors had to work within a legal framework of more than 250 statutes.

More laws and regulation would have two detrimental effects, he said. They would cause people to be so preoccupied with the letter of the law that the sprit of enterprise would be stifled. Second, preoccupation with the letter rather than the spirit of the law would actually lead to people setting themselves lower standards.

Such an amendment could be included in the Criminal Justice Bill currently before parliament, under which the maximum jail sentence for insider dealing will be increased from two to seven years.

Mr Fisher was only the third person to be charged under the 1985 Act, and the first to plead not guilty.

After his acquittal he said he thought he had been used as "cannon fodder" to test whether future cases under the Act would be successful. He said he had acted properly throughout and had even gone to the Stock Exchange surveillance unit for advice.

"Many in the City," he said, "might now care to muse upon the fact that, because of the weight I have carried, they in turn can now breathe a sigh of relief."

The court had been told that, acting as a representative for a business consortium, Mr Fisher had approached Thomson T-Line, an ailing caravan manufacturing company, with an offer to buy.

While the offer was being discussed by the company with its financial adviser, Kleinwort Benson, Mr David Thomson, the company's chairman, made a private sale arrangement.

Miss Rosalind Hedley-Miller, a director of Kleinwort Benson, told the court that she had felt she had an ethical responsibility to advise Mr Fisher of the other bid.

"I would not normally give price-sensitive information to other potential buyers," Miss Hedley-Miller said, "but I thought Mr Fisher had been treated unsatisfactorily.

"I felt he was owed an explanation, but I had to be careful what I told him. I felt embarrassed about letting him down and warned him that what I was about to say would make him an insider."

The prosecution case was that Mr Fisher bought 6,000 shares in Thomson T-Line for £1,500 and sold them the following month for a net profit of £3,154. The defence said that he had already decided to buy shares in the company before Miss Hedley-Miller contacted him.

Insider dealing was made an offence in June, 1981, under the 1980 Companies Act. The Company Securities (Insider Dealing) Act came into operation in July, 1985.

The first case brought under the 1985 Act was that in which, last July, Mr Geoffrey Collier, former joint head of Morgan Grenfell Securities, was given a 12-months' jail sentence, suspended for two years, fined £25,000 and ordered to pay £7,000 towards the prosecution costs.

He had pleaded guilty to two offences relating to shares in Cadbury Schweppes and the AE engineering group.

The case received wide publicity and the sentence – in particular the failure to impose an immediate jail sentence *pour encourager les autres* – was subjected to considerable criticism.

Beleaguered Moore's future in doubt again

By Our Political Editor

MR JOHN Moore, the Social Services Secretary, looks a beleaguered figure. After an unconvincing and faltering performance in Wednesday's debate on the social security changes, muttering about his future has started again in the corridors of Westminster.

MPs and fellow ministers said that Mr Moore's speech was not good enough. By contrast, Mr Nicholas Scott and Mr Michael Portillo, the minister for social security and his deputy, are seen as having better explained the reforms.

Mr Moore's standing was already low with many of his colleagues after the rows over the future of the health service in January and February.

His youthful good looks and energy have always created jealousy among some Tory MPs, so there has been some gloating. Some ministers see him as a better implementer than departmental director.

There has been sympathy, it must be said, for Mr Moore's ill-health. He was out of action for two months at the end of last year and his voice was failing on Wednesday.

But politicians make limited allowances and Tories are not generous with ministers who make mistakes. The message within the Tory's parliamentary cloister is that Mr Moore's days as Social Services Secretary may be numbered.

His future depends not only on how well he defends the social security changes, but also crucially on the NHS review.

However, Mr Moore is unlikely to be sacked outright, given the support for him from Mrs Margaret Thatcher.

Labour believes it has the Government on the run over social security, but Mr Robin Cook, Labour's social services spokesman, yesterday did not aim his fire at Mr Moore.

Mr Cook said that the problem was not Mr Moore's performance but that faced by any minister in defending the Government's record which, he said, was impossible to justify.

OBITUARY

John Stonehouse: former MP who faked his own death

THE FINAL CHAPTER in one of the most bizarre episodes in modern British politics was closed yesterday with the death of Mr John Stonehouse, the former Labour MP, after suffering a heart attack at his Southampton home.

Mr Stonehouse, who was 62, had held ministerial office in the Wilson Government and created a worldwide sensation when he faked his own death by drowning on a Miami beach in November 1974.

He was arrested on Christmas eve of that year in Australia where he had gone under an assumed name.

The motive for his disappearance was the chaotic state of his business affairs and mounting debts. He could not face the prospect of impending bankruptcy and commercial failure.

After the defeat of the Labour Government in the 1970 general election he was left out of the shadow cabinet. He then developed a business career and founded the British Bangladesh Trust, a fringe bank, which later grew into the London Capital Group.

In 1976 he was convicted at the Old Bailey on 18 counts of theft and false pretences and sentenced to seven years in prison. After 3½ years he was released and took up a career as a writer, producing novels such as The Death of an Idealist in which he sought to explain his actions.

Mr Stonehouse claimed that his ordeal epitomised the social and moral dilemma faced by modern politicians. The pressures of public life so warped and changed their personalities that they threw away their ideals.

He claimed that he was "probably the most abused person in public life this century."

But a report by Department of Trade inspectors in 1977 described him as a "sophisticated and skilful confidence trickster".

After a three-year inquiry into his affairs they concluded: "The evidence we have examined shows that the companies under Mr Stonehouse's control were saturated with offences, irregularities and improprieties of one kind or another."

Mr Stonehouse in 1986 with a copy of his sixth book, The Baring Fault, in which he traced the decline of Britain since the turn of the century.

Yesterday at Westminster former colleagues were still discussing the paradox of a man of humble origins whose ability and charm enabled him to rise swiftly through the ranks of the Labour Party after being elected an MP in 1957 only to fall into disgrace.

Lord Molloy, who was Mr Stonehouse's parliamentary private secretary when he was Postmaster General, said yesterday: "His ludicrous idea of vanishing off the face of the earth was not in keeping with a man of his ability and intelligence. Something in his life went radically wrong."

Mr Tam Dalyell, the Labour MP, said that in the early 1960s many MPs regarded Mr Stonehouse as potentially a senior cabinet minister. He was certainly a good Minister of Aviation.

"I wondered whether what happened subsequently had been the result of physical illness," said Mr Dalyell.

Mr Stonehouse's widow, Sheila Buckley, who was formerly his secretary, said: "He was a very special man and an immensely loyal one. He's a one-off. I have never met a man like him before."

Mr Stonehouse once declared that he had two ambitions – to become Prime Minister and to be a millionaire. In a recent interview he declared: "I will only be vindicated after my death."

Acorn and Sanyo sign chip deal

BY TERRY DODSWORTH

ACORN, the UK computer group, is aiming to expand sales of the innovative microprocessor in introduced last year through a new manufacturing agreement with Sanyo of Japan.

The deal will allow the chip to be made and sold throughout the world by the Japanese group as a second supplier alongside VLSI Technology of the US.

Up to now, VLSI has had exclusive rights to production of the new microprocessor, which was designed by Acorn using software and other processes supplied by the American company.

The addition of Sanyo, however, will give the chip more exposure in the Far East, now the largest market for semiconductors in the world.

Acorn's move undercores the rapid development of a new technique in microprocessor design which has suddenly gained popularity in the last year.

This new generation of microprocessors, called Reduced Instruction Set Computing (RISC) chips, are able to achieve faster speeds than conventional processors by simplifying the mechanism driving the processing of information.

The technique also allows more power to be packed onto a smaller chip, thus reducing manufacturing costs and helping increase processing speed still more.

Microprocessors are the central brains controlling personal computers.

UK NEWS

Guy de Jonquieres examines a study counselling caution on the internal market deadline

More obstacles than just barriers

WHEN European Community heads of government formally committed themselves almost three years ago to realising by 1992 the long-standing vision of a single internal market, what exactly did they think they were they putting their names to?

"There is no single definition of what completion of the internal market means. Views differ according to perspective and position," says a study published yesterday. While politicians regard removal of frontier controls as the priority, businessmen would like to go further, favouring also a common European currency and more constraints on national sovereignty.

In the view of the study's authors, Professor Jacques Pelkmans of the European Institute of Public Administration in Maastricht, the Netherlands, and Professor Alan Winters of University College, Bangor, in Wales, any single European market worthy of the name will be closer to the businessmen's version than the politician's.

They argue that to achieve the full economic gains expected of it will require sizeable concessions of national autonomy in policy-making and willingness by the Twelve to cope with arduous problems of structural adjustment.

The authors are not confident that these conditions will be met: "In view of the many potential obstacles to 'completion', it would be naive to take the fulfilment of the programme for granted or to regard the end of 1992 as the final deadline. Both targets are attainable, but only on the basis of a very optimistic scenario, in which a favourable economic climate and a well thought-out strategy are the essential ingredients."

The European Commission's 1985 White Paper, which sets out the programme of EC single market legislation, aims to improve market access by removing barriers to intra-Community trade in goods and services. But though voluminous, it is incomplete, the study says, since it fails to tackle residual national controls on trade with non-EC countries, government subsidies and the fragmented Community steel market.

Lord Young, Secretary of State for Trade and Industry, launches a database to help UK businesses prepare for the single market. The database, Spearhead, will carry information on internal market-related measures either agreed or under discussion. The service will be available by direct telephone dialling or through electronic mail services.

Furthermore, although the Commission had eschewed imposed harmonisation in favour of liberalisation and competition between national rules, these objectives could be difficult to implement. It was often unclear that competition could, in practice, develop unless rules were first harmonised.

More important, the study argues, the EC must buttress the proposals in the Commission's White Paper with other measures to eliminate or prevent competitive distortions and to spur industrial restructuring and more efficient use of resources. "Only to dismantle barriers is to neglect the economic rationale of an internal market," it says, calling for action the following areas:

- A vigorous, but not too restrictive, competition policy;
- An open external trade policy which avoids a "fortress Europe";
- Closer macro-economic and monetary co-ordination – though the authors doubt how politically realistic that goal is;
- A common research and development policy which complements national efforts;
- Reduction of differences between national company laws.
- Sensible measures to assist adjustment by the EC's poorer regions.

The study's authors do not attempt to forecast how much progress will be achieved by 1992, or what the precise impact of a single market on economic activity will be. Instead, they offer three possible outcomes.

The most optimistic foresees extensive integration of EC markets and policies, which would virtually rule out unilateral intervention by governments in pursuit of national interests. That would offer the biggest economic gains but would also be the hardest goal to achieve.

In the second scenario, most frontier controls would be removed, allowing considerable freedom of trade in products and mobility of people. However, the outlook for trade in services would be less certain while some sources of market distortion, such as government subsidies, would persist.

The third scenario is minimalist and assumes that the EC made progress only on the easiest issues. Some frontier controls would be removed, but little headway would have been achieved in difficult areas such as fiscal harmonisation, public procurement, financial services, exchange controls and external trade policy.

The study says that realisation of either of the first two scenarios by 1992 could yield economic benefits by boosting business confidence and impressing consumers. "It is scenario three that ought to be avoided: its political costs can be high, the impact on markets uncertain and the net economic gains unimpressive."

**Europe's Domestic Market, by Jacques Pelkmans and Alan Winters; £6.95. Published for Royal Institute for International Affairs by Routledge, 11 New Fetter Lane, London EC4P 4EE.*

Dublin angry over Birmingham Six refusal

BY KIERAN COOKE, DUBLIN CORRESPONDENT

THE LAW lords' decision to refuse the so-called Birmingham Six leave to appeal their case to the House of Lords, the upper chamber of parliament, has drawn an expression of serious concern from Dublin.

The Republic's Minister for Foreign Affairs, Mr Brian Lenihan, said the Irish Government was deeply perturbed that despite widespread and continuing concern that there may have been a miscarriage of justice, the avenues of legal appeal now appeared to have been exhausted and the six remained imprisoned.

The Birmingham Six have already spent over 13 years in jail.

The six men were arrested boarding a ship bound for the Republic after having left Birmingham the day that a bomb in a pub in the Midlands city killed 21 people. The IRA claimed responsibility

However, the evidence supporting the conviction of the six for the bombing has been challenged, most recently during a Court of Appeal in London this year.

In the circumstances, the Irish Government believe that there are compelling humanitarian grounds for the British Home Secretary to consider using the wide-ranging powers available to him in such cases, said Mr Lenihan.

The Court of Appeal verdict that the conviction of the Birmingham Six should stand has been one of several causes of friction between the Dublin and London Governments.

Labour withdrawing from socialism, says Benn

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR PARTY'S reaction to three general election defeats was not to fight back but to water down its policies in the hope it could "creep back" into power, according to Mr Tony Benn, the left wing MP who is standing against Mr Neil Kinnock for the Labour leadership this autumn.

He makes his latest attack on his opponents in the foreword to a bulletin outlining the agenda for the second Socialist Conference, to be held in Chesterfield during June.

He claims that, since last October's first conference the Labour leadership has continued to organise a systematic withdrawal from socialist policies. A "Labour Listens" campaign had emerged as a cover to conceal the abandonment of central elements in any socialist programme, such as peace, full employment and civil liberties.

Mr Benn adds: "Not only has the socialist left been marginalised but the affiliated trade unions have been edged out as far as policy making is concerned and appear now to be wanted primarily for the cash they can contribute, for their block vote to force through these changes and to discipline critics of what is happening."

Tony Benn: policies designed for creeping back to power

Mr Benn says that the Chesterfield conference will provide an opportunity to halt the Labour leadership's drift to the right.

The gathering, on June 11 and 12 will, he says, help to establish "a clear and independent centre of socialist initiative making a wide appeal to all those who reject a policy of retreat".

Cross shareholdings grow in airline booking systems

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SIGNIFICANT cross-shareholdings and partnership agreements are being arranged between some of the world's largest airline computer reservations systems (CRS), with a view to forming a global link.

The Abacus consortium, which already links the CRS of three big Far Eastern airlines, Hong Kong-based Cathay Pacific, Thai International and Singapore Airlines, is to become a partner with Trans World Airlines and Northwest Airlines of the US in the ownership of their Pars computer reservations system. Pars will take a reciprocal a shareholding in Abacus.

Abacus is also setting up a partnership agreement with Amadeus, the CRS group formed in Europe betweeen Adria of Yugoslavia, Air France, Air Inter of France, Braathens, Finnair, Iberia of Spain, Icelandair, JAT, also of Yugoslavia, Lufthansa, Scandinavian Airlines System and Texas Air of the US.

Through these separate arrangements, Abacus will become the leading CRS organisation in the Asia-Pacific region, and other airlines in that region are expected soon to take up the offers of becoming members.

Mr Andrew Herdman, of Cathay, the general manager of Abacus, said: "This is only the beginning and I believe these agreements could lead to the first truly global CRS".

Abacus users will progressively move over to the common system from the third quarter of this year, and the system will be in full use by the end of 1989. The core of the system will be based in Singapore by the end of 1990.

The other major European-based system, Galileo, in which British Airways is linked with Alitalia, KLM the Dutch carrier, Swissair and Covia (part of United Air Lines) and other operators still has to forge a link with Far Eastern and South-East Asian airlines.

NOTICE OF REDEMPTION

To the Holders of

UNITED KINGDOM

Fifteen Year 8⅞% Bonds Due 1993

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of May 1, 1978 and the Terms and Conditions of the Bonds, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected $33,400,000 principal amount of the 8⅞% Bonds due 1993, for redemption on May 1, 1988 for the mandatory and optional Sinking Funds at 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

OUTSTANDING BEARER BONDS OF $5,000 CALLED IN FULL EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

566	640	1393	1510	2938	2955	2980	3010	3038	4559	14829	15700	15719
606	642	1488	1513	2939	2965	2981	3019	3039	7857	15685	15703	15723
614	644	1492	1514	2943	2967	2983	3020	3042	8167	15686	15706	15728
617	647	1499	1522	2945	2970	2996	3022	3101	11884	15689	15707	15729
621	648	1500	1529	2946	2973	2997	3030	3859	14250	15690	15708	15731
622	649	1501	1534	2947	2976	3002	3033	4251	14824	15692	15710	15737
630	650	1506	2933	2950	2977	3003	3035	4556	14826	15694	15712	16378
637	1392	1508	2937	2953	2979	3008	3036	4557	14828	15699	15718	16382

OUTSTANDING REGISTERED BONDS CALLED IN FULL OR PART AS STATED EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed
4190	$ 3,000	12210	$ 17,000	12474	$ 6,000	12513	$ 3,000
4236	25,000	12212	1,000	12478	4,000	12516	3,000
4238	25,000	12227	2,000	12481	1,000	12517	5,000
4242	25,000	12249	4,000	12482	1,000	12519	95,000
5483	1,000	12262	1,000	12484	2,000	12520	1,000
5484	1,000	12362	3,000	12485	2,000	12521	4,000
5485	1,000	12388	610,000	12488	17,000	12522	9,000
10859	500,000	12390	500,000	12489	24,000	12523	5,000
10919	500,000	12392	500,000	12490	3,000	12526	1,000
10923	500,000	12394	500,000	12491	5,000	12528	1,000
10924	500,000	12454	2,000	12492	114,000	12529	1,000
11115	500,000	12455	13,000	12493	131,000	12531	3,000
11921	500,000	12456	89,000	12494	9,000	12533	3,000
11924	500,000	12461	2,000	12495	3,000	12534	2,000
11927	500,000	12462	3,000	12496	3,000	12535	5,000
11935	100,000	12463	4,000	12497	8,000	12537	1,000
11937	100,000	12464	8,000	12498	9,000	12538	20,000
11946	100,000	12465	6,000	12499	6,000	12539	1,000
11948	175,000	12466	5,000	12500	6,000	12545	2,000
11957	500,000	12467	4,000	12501	1,000	12553	230,000
11959	689,000	12468	8,000	12502	9,000	12555	8,000
11973	500,000	12469	5,000	12508	1,000	12556	19,742,000
11995	600,000	12470	2,000	12510	11,000		
12177	415,000	12472	1,000	12511	4,000		
12206	2,000	12473	2,814,000	12512	4,000		

Payment will be made on May 1, 1988 for the bearer Bonds selected for redemption upon presentation and surrender of said Bonds with coupons due November 1, 1988 and subsequent coupons attached at the main offices of the Fiscal Agent in London and Brussels and the Bank of England in London. No payment on any bearer Bond will be made at the Corporate Trust Office of the Fiscal Agent or any Paying Agent in the United States, nor, except as otherwise permitted by U.S. Treasury Regulations without adverse tax consequences, will any payment be made by transfer to an account maintained by the payee in, or by mail to an address in, the United States. Coupons due May 1, 1988 should be detached and collected in the usual manner.

Payment will be made on May 1, 1988 for the portion of the registered Bonds selected for redemption upon presentation and surrender of said Bonds at the Corporate Trust Office of the Fiscal Agent, 30 West Broadway, New York, New York 10015 or at the above mentioned offices. The holder of a registered Bond, a portion of which has been selected for redemption, shall upon surrender thereof receive, without charge, a new Bond or Bonds, in aggregate principal amount equal to the portion thereof not selected for redemption. Payment of registered interest due May 1, 1988 will be made to the registered holders by check in the usual manner.

On and after May 1, 1988 interest shall cease to accrue on the Bonds or portions thereof herein designated for redemption.

Payments at the office of any Paying Agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made within the United States or transferred to an account maintained by a non-U.S. payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person. Payments made within the United States to non-exempt U.S. payees are reportable to the IRS and those U.S. payees are required to provide to the paying agent an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

THE LORDS COMMISSIONERS OF HER MAJESTY'S TREASURY

Dated: April 1, 1988

The following registered Bonds each bearing the following distinctive numbers previously called for redemption have not as yet been presented for payment:

Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed
3458	$ 3,000	11473	$ 1,000
4235	25,000	12259	3,000
4239	25,000	12432	1,000
4241	25,000	12260	77,000
4563	3,000	12396	2,000
10075	141,000		

DUP chief warns on Ulster settlement

By Our Belfast Correspondent

MR PETER ROBINSON, deputy leader of the Democratic Unionist Party, warned last night that Northern Ireland Unionists might have to consider a political settlement outside the UK.

In an uncompromising speech to party members in Newtownabbey Mr Robinson said it was time for a Unionist convention to discuss strategy and give leadership to the Unionist community.

He said his preference would be for Northern Ireland to remain part of the UK but he supported a union which protected Unionist interests rather than the present one which was designed to "ensnare Unionists."

Mr Robinson added: "Unionists must have an attainable goal and if one road to an acceptable future cannot be travelled because others refuse to co-operate, then a goal must be found towards which we can work that does not require the consent of the SDLP, the approval of Westminster or the blessing of Westminster.

"We have a right of self-determination. In those circumstances we must be masters of our own destiny rather than the plaything of Anglo-Irish politics – even if it means having to contemplate life without the union."

Mr Robinson, East Belfast MP, said the Government had "sat on its thumbs" since receiving a Unionist outline of an alternative to the Anglo-Irish agreement and he said opposition to the agreement should be stepped up.

Enterprise campus planned for Halifax

By Charles Batchelor

AN ENTERPRISE campus is to be set up at Dean Clough Industrial Park, based in a former carpet-mill in Halifax, Yorks.

It is intended to provide practical training courses for schoolchildren, students and the unemployed, creating closer links between local industry, schools and colleges.

Calderdale College of Education is to transfer courses in subjects such as word-processing, industrial design and marketing to the campus.

The campus will start in a 7,000-sq-ft-area, donated rent-free for a year by Dean Clough. Up to 100,000 sq ft are available for expansion.

The venture has the backing of Mr Ernest Hall, founder of the industrial park, of Calderdale Council and of Calderdale College of Further Education.

Mr Gary Bate, the college principal, said the campus would be open to all sections of the community, unlike city technical colleges being set up across the country with private-sector backing and government support.

Richard Evans on Mr Ridley's pursuit of the big municipal spenders

Leasing curbs make councils squeal

LOCAL authorities are squealing with pain and frustration at the Government's latest moves to curb creative accounting. That shows they have been hit hard in their attempts to balance budgets without cutting services severely.

Regulations passed in the Commons this week have confirmed the unexpected move last month by Mr Nicholas Ridley, Environment Secretary, to ban barter deals and sale-and-leaseback schemes. He considers them devious attempts to evade controls on capital spending.

Some of the anguish may be justified as Mr Ridley has stopped practices used by some councils with more than adequate asset backing which *do* not need escape routes. "He has used a sledgehammer to crack the Brent nut," according to one City expert.

As on other occasions, it has been the unacceptable behaviour of a few councils that has forced Mr Ridley's hand. Their attitude, and there may be fewer than a dozen of them, has made life increasingly hard for many town hall treasurers.

Mr Ridley wanted to stop the more blatant abuses. But his measures will affect as many as 200 councils, including some controlled by Conservatives.

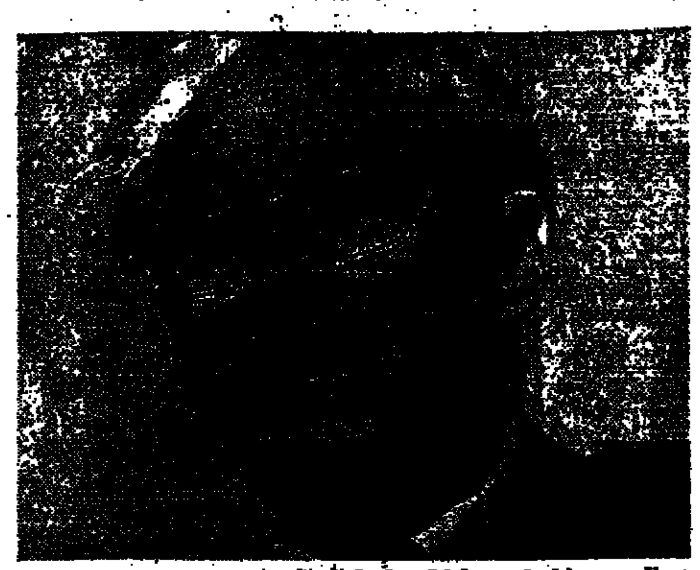
"The implications will be very serious for a number of local authorities, particularly in the housing field," said Mr Charles Humphry, a director of Saturn, a British & Commonwealth subsidiary that advises several councils on finance packages. "Their autonomy in the capital markets has virtually disappeared."

The conflict between the Government and some councils has turned into a bizarre dance in recent years as spending curbs have become tougher while councils and their advisers have worked harder to circumvent them.

As one loophole is found and exploited by councils it is plugged by the Government, and the dance continues to a different tune.

The conflict has been heightened by the clash between Government commitments to restraint and the aims of Labour councils that have tried to run services beyond their spending limits.

Sums involved in creative accounting, the term used for getting round the Government's restrictions, are small in relation to the huge tangible assets of local authorities.



Nicholas Ridley: Drive against deals which evade his spending controls will catch Tory as well as Labour councils

But the picture can look very different at the level of an individual council. Several, particularly in London, have debts of more than £100m. The Government thinks they are living well beyond their means.

According to the Chartered Institute of Public Finance and Accountancy (Cipfa), more than a fifth of all new local authority capital financing comes from leasing arrangements, and in the metropolitan districts the level is as high as a third.

The danger is that the financial state of some of the more heavily indebted councils could decline further in the next few years. If uncorrected, it could become impossible for them to service the debt.

Some of the deals have been questionable, with assets ranging from town halls to parking meters being sold and leased back. Payments will be the responsibility of future generations of councillors, ratepayers and payers of the poll tax.

The latest turn of the ratchet came last month after the Labour-controlled London borough of Brent concluded a well-publicised £30m sale-and-leaseback deal. The arrangement, with a consortium of foreign banks, included Wembley town hall, leisure complexes and other buildings.

Brent is near the top of Mr Ridley's demonology league of councils. But the Brent deal scraped through before his clampdown. Brent council will now pay rent for the buildings and buy them back in seven years.

The deal was too much for Mr Ridley, who believed that other high-spending authorities were poised to follow the same route.

A key factor in making judgments on creative accounting has always been the use planned for the funds raised by it.

Conservative-run Merton in south London proposed a commercial scheme to unlock its equity in substantial property holdings. The idea was to invest the money raised more productively in order to reduce rates.

In Labour authorities like Islington, with ample assets to back up any deal, the cash has often been used for housing homeless families at far less cost than putting them in bed and breakfast accommodation.

Mrs Margaret Hodge, leader of Islington council, called the new rules "another way of starving local councils of cash."

"Sale-and-leaseback arrangements are a perfectly legitimate method of realising assets, and private companies use this device all the time," she said.

Brent needed cash to cover a current shortfall that even a hefty rates increase of 9.9 per cent and a reduction in services was unable to bridge.

Mr Howard Davies, controller at the Audit Commission, said Mr Ridley had little option but to block the sale-and-leaseback route as there were signs that more councils were preparing to use it. The commission is an independent body that monitors the behaviour of councils through district auditors.

"In the absence of a proper prudential regime for local authority finance, we are still in a game of councils trying to find loopholes and the Government blocking them up," explained Mr Davies. "It is a pretty undignified business."

He believes the pressures on the higher-spending authorities are beginning to produce results. A survey of eight inner London boroughs early in 1987 showed there was a gap in total of £350m between revenue and expenditure. More than £300m was found by various methods of creative accounting and less than £50m by cuts in expenditure.

"Now I suspect that a similar exercise would show the same sort of gap, but more than half would be made up by actual cuts," he said.

Many high-spending councils, including Brent, Haringey, Camden and Lambeth in London, have been forced to accept substantial cuts as government pressures on spending have increased and the methods available for creative accounting have dried up or become too expensive.

"In general, creative accounting is now not the first port of call for councils trying to meet their budget as it was a year ago. It is now where they go when they can't find any more cuts," said Mr Davies.

There are other signs that the climate is changing. Talks are under way between local authority organisations, Cipfa and the Audit Commission on the drafting of prudential guidelines. If accepted, they would give a much clearer idea of proper financial conduct.

One local authority director of finance put it succinctly: "Local government always used to be half a pace in advance of Whitehall. Now it has drawn level and we are not sure where we go from here."

Industry urged to use UK coal

BY MAURICE SAMUELSON

LARGE INDUSTRIES were yesterday urged to follow the lead of Imperial Chemical Industries and rely on British coal as best-buy fuel for the future.

Sir Robert Haslam, British Coal chairman, made the suggestion at a ceremony marking the £44m conversion to coal at ICI's Wilton plant, Teesside, Europe's largest privately owned power station.

Sir Robert, a former ICI deputy chairman, said British Coal increased its sales to industry to £9m tonnes last year, in spite of fierce market competition from oil and imported coal.

"Only British Coal is in a position to offer long-term contracts which guarantee security of supply at competitive prices free from exchange-rate risks," he said.

Work has gone on for 2½ years to introduce coal-burning at the ICI plant, which can supply enough power for the needs of a city the size of Sheffield.

The work, completed four months early, involved converting two of the five main boilers to use nearly 500,000 tonnes of coal a year from open-cast pits in the north-east coalfield.

Mr Denys Henderson, ICI chairman, said it symbolised his company's faith in coal as a feedstock in spite of the collapse in the world oil price since the project started.

However, the energy policy at Wilton was also based on flexibility and it was essential to use the most economic, secure supplies available.

The converted boilers were coal-fired when installed in the late 1950s and switched to oil in 1971. Their reconversion began in 1985, aided by an Energy Department grants scheme, and ended more than a year ago.

ICI's coal-burn at 11 plants across the country has risen, on completion of the Wilton project, to about 1.1m tonnes a year, compared with 800,000 since 1983.

Petrol swapping defended by BP

BRITISH PETROLEUM is defending itself against charges that swapping of petrol among the big oil companies amounted to a deception of consumers.

It has issued a pamphlet dubbed a plain man's guide to petrol exchanges in which it said 60 to 70 per cent of petrol sold at BP sites was not refined by BP.

BP said the petrol met British standards and was uncontaminated.

Shell and Esso put additives into their petrol which they say make it different from the standard commodity product. Both obtain a small part of their basic petrol through refinery exchanges.

Proposal to convert Tees refinery into coal terminal

BY MAURICE SAMUELSON

THE FORMER SHELL refinery on the River Tees has joined the growing list of places on the east coast which are being considered as potential ports through which to import cheap coal once the electricity industry has been privatised.

The site – capable of handling at least 5m tonnes of coal a year – belongs to the Tees and Hartlepool Port Authority, which says it has been looking at options for a coal terminal for several years.

Mr David Palmer, the authority's engineering director, said the 300-acre site was one of a number of options under review and that it regarded the idea of large-scale coal imports as "deadly serious."

Smaller tonnages of coal have already been imported for some time through the authority's Hartlepool terminal.

As with the proposed coal ports on the River Humber, the Tees is a convenient location for coal transportation by rail or road to clusters of large power stations in Yorkshire and the north-east.

It could also supply coal to industry and the domestic coal market in the north-east and Scotland.

According to Mr Lev Sychrava, the London-based shipping consultant who is examining its potential on behalf of the Tees Port Authority, it could be handling coal long before some of the other coastal sites under consideration.

Tees Port Authority already has statutory planning permission to import coal and could be equipped to do so – at less than £10m – within 18 months of a decision to go ahead.

By contrast, the twin sites on the Humber require first of all private legislation to be passed by parliament, and it is believed that opposition by MPs from mining constituencies could delay implementation of the project for several years.

UK coal imports are physically limited by the shortage of harbour facilities for large, deep-sea-going vessels needed to transport it from low-cost mines in Australia, the US or central America.

FT LAW REPORTS

US appearance bond is outside UK jurisdiction

UNITED STATES OF AMERICA v INKLEY
Court of Appeal
(Lord Justice Purchas and Mrs Justice Heilbron):
March 25 1988

A US judgment debt arising out of forfeiture of an appearance bond executed in a criminal context is a public law remedy, though recoverable in the US by civil process, and therefore cannot be the subject of English proceedings.

The Court of Appeal so held when allowing an appeal by Mr Harold ("Reggie") Inkley from Mr Gatehouse's reversal of Master Waldman's decision to set aside a £34,096 default judgment obtained against Mr Inkley by the United States of America.

LORD JUSTICE PURCHAS, giving the judgment of the court, said that Mr Inkley was a British subject. In 1983 he was arrested in Florida and charged with fraud offences relating to the sale or attempted sale of non-existent oil wells to US citizens.

On September 16 1983, in the US District Court for the Southern District of Florida, Mr Inkley obtained an order that he be released from custody on certain provisions.

The release order recorded that Mr Inkley "agrees to abide by the conditions of release." There followed a series of conditions of release, including supervision by the pre-trial service agency, conditions for reporting regularly and restrictions on movement.

It also provided that if Mr Inkley violated any condition of release, a warrant for his arrest might be issued immediately. If he failed to appear before any court or judicial officer as required, an additional criminal case might be instituted against him.

A 10.5 per cent surety of $4,860 was recorded by court receipt. There was an appearance bond, by which Mr Inkley acknowledged he was bound to the US for $48,000 and that the sum would be due if he failed to appear as ordered. Forfeiture of the bond for breach of condition might be declared by any US District Court, and "judgment may be entered . . . against each debtor . . . and execution may be issued and payment secured as provided by the Federal Rules of Criminal Procedure and by other laws of the US."

The bond was signed by the magistrate, Mr Peter L. Nimkoff, by a witness and by Mr Inkley.

Associated with the bond was another document headed "Conditions of bond". It set out five conditions which substantially repeated the conditions of the release order.

Condition 4 repeated that failure to appear before the US magistrate or court when ordered might give rise to an additional criminal case, separate and apart from the offence presently charged and the penalties ensuing. That document was again signed by Mr Inkley.

On September 27 1983 Mr Inkley's father died in England. The Florida court gave him permission to travel to England for the funeral. His passport was returned to him and he was allowed to be absent from Florida for 30 days.

He travelled to England and had remained there ever since. No extradition proceedings had been issued.

On April 17 1985 the US obtained final judgment for $48,000 in the Florida court. By writ dated September 26 1986 it started an action in the UK for recovery of the amount of the Florida judgment. On October 21 1986 it obtained judgment by default. That judgment was set aside and the statement of claim struck out by Master Waldman, but was reinstated by Mr Justice Gatehouse.

The power to release and require appearance bonds was given by article 3146 of the US Code for Criminal Procedure. Any person charged with an offence other than an offence punishable by death, was to be released pending trial unless the judicial officer determined that release would not reasonably assure his appearance as required.

The judicial officer authorising release was to issue an order containing the statement of conditions imposed, and "shall inform such person of the penalties applicable to violations of the conditions of his release and shall advise him that a warrant for his arrest will be issued immediately upon any such violation."

The judge had before him a letter, dated April 28 1987, addressed to Mr Inkley's solicitors from the Director in the Office of Foreign Litigations Civil Division of the US Department of Justice.

It read: "The procedures for executing an appearance bond forfeiture are civil rather than criminal. Process to enforce a judgment for the payment of money is pursuant to rule 69 of the Federal Rules of Civil Procedure." It said that enforcement of the $48,000 judgment would be pursuant to the civil remedy in rule 69(a) and that "in seeking to enforce this judgment, the US is acting as a judgment creditor, ie as an aggrieved party under the bond and not in its prosecutorial capacity in enforcing the criminal laws of the US".

After considering the authorities and standard textbooks, Mr Justice Gatehouse concluded that the proceedings were civil proceedings and enforceable by action in the English courts, though he found the question nicely balanced.

Mr Inkley challenged that decision and asserted that the judge should have concluded that the substance of the action was enforcement of a public law remedy in the nature of a penal proceeding, and that it would therefore not be enforceable in the English courts.

From the authorities the following relevant propositions emerged:

(1) Consideration of whether the claim in the English courts involved the assertion of foreign sovereignty, in penal, revenue or other public law, was to be determined according to the criteria of English law.

(2) The attitude adopted by the courts in the foreign jurisdiction would always receive serious attention and might on occasions be decisive.

(3) The category of the right of action, ie whether public or private, would depend on the party in whose favour it was created, on the purpose of the law or enactment in the foreign state on which it is based, and on the general context of the case as a whole.

(4) The fact that the right, statutory or otherwise, was penal in nature, would not deprive a person who asserted a personal claim depending thereon, from having recourse to English courts; on the other hand, by whatever description it might be known if the purpose of the action was enforcement of a sanction, power or right at the instance of the state in its sovereign capacity, it would not be entertained.

(5) The fact that in the foreign jurisdiction recourse might be had in a civil forum to enforce the right would not necessarily affect the true nature of the right as enforced in the UK.

Applying the above criteria to the facts, the court concluded that the general context and background against which the appearance bond was executed was criminal or penal.

The power to require execution of the bond arose from article 3146 *et seq* of the Code of Criminal Procedure. The circumstances in which it came into existence were clearly criminal in nature, and breaches of the conditions incorporated in it could give rise to further criminal process.

The whole purpose of the bond was to ensure as far as possible the presence of its executor to meet justice at the hands of the state in a criminal prosecution.

The fact that the obligations under the bond were the subject of a declaratory judgment in a civil court did not affect the basic characteristic of the right which that judgment itself enforced, namely the right of the state as administrator of public law and justice, to ensure due observance of the criminal law, or the exaction of pecuniary penalties if that course were frustrated.

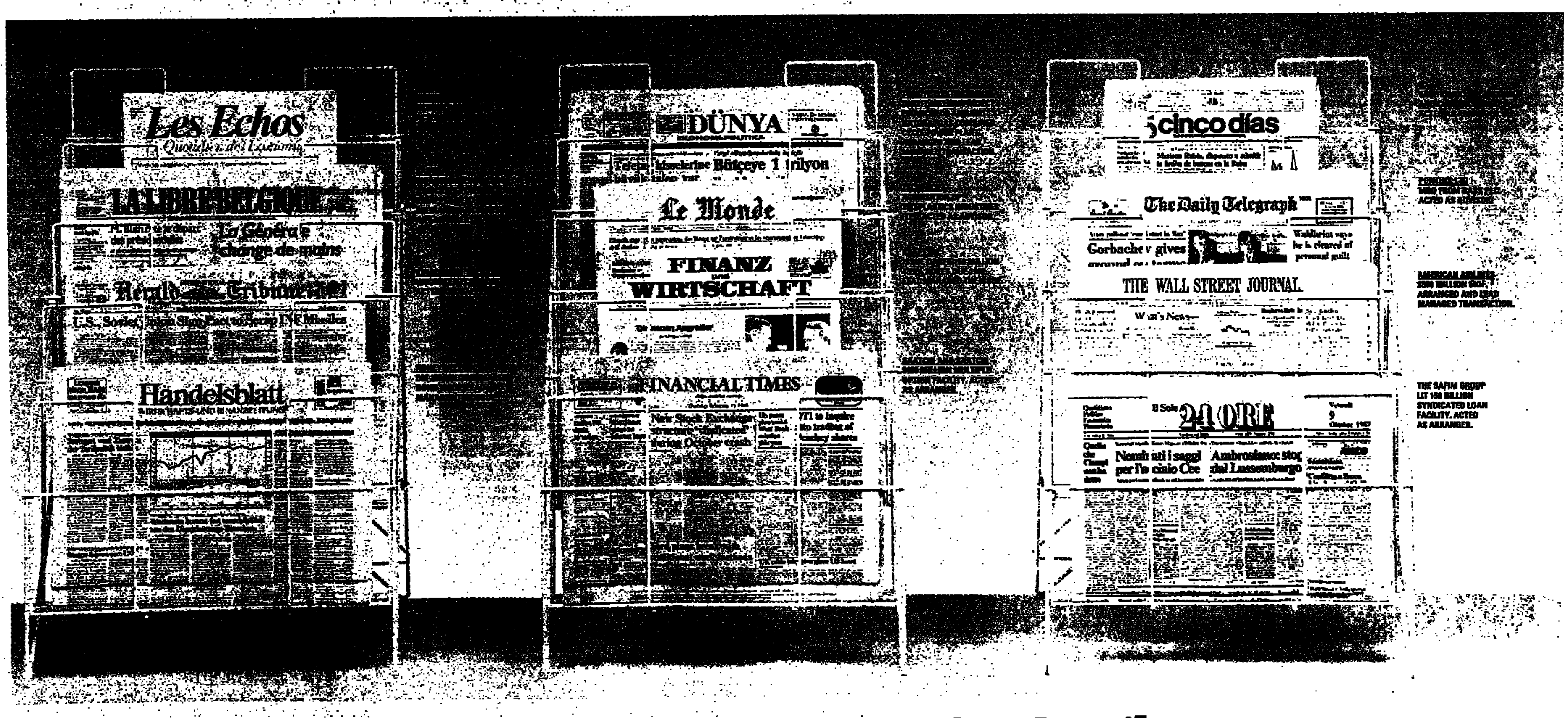
Notwithstanding its civil clothing, the purpose of the action initiated by the writ in the present case, was the due execution by the US of a public law process aimed to ensure the attendance of persons accused of crime before the criminal courts.

The Master was right to set aside the judgment in default and to strike out the proceedings. The appeal was allowed.

For Mr Inkley: Christopher Critchlow (Edward Lewis & Co, agent for Hodgkinson & Co, Skegness)

For the US: Alexander Layton (Oppenheimers)

By Rachel Davies
Barrister



Hard drive east for machinery suppliers

Nick Garnett looks at which Western countries will be the big winners in selling equipment to Eastern Bloc car manufacturers

WILL the East European car industry soon be offering substantial and conventional business opportunities to Western manufacturers of production machinery and automated handling equipment?

And if it does, will the West Germans and Italians capture the vast bulk of this business, leaving British and French hardware producers out in the cold? The answer to both questions looks like being yes.

The dozen or so car manufacturers in Eastern Europe produce about 3m cars a year. While this is only a quarter of the volume from Western Europe, the world's largest car producing area, Eastern Bloc countries are expanding output and slowly becoming more sophisticated.

Until now, the majority of the biggest production plants have been set up in collaboration with mainstream West European car producers which have acted as plant integrators as well as supplying actual car models for these plants to build.

This has been a feature of deals that Fiat of Italy has made with Vaz of the Soviet Union, Polski of Poland and Zastava of Yugoslavia. Renault and Dacia in Romania have enjoyed a similar link, while Volkswagen has also been engaged in substantial East European car building projects.

Some of the leading Eastern Bloc producers, however, are moving a little closer to their West European counterparts. They are doing more of their own engineering design and using Western design studios to produce body styles not quite so dated or hideous as earlier offerings.

Along with this has come a more open, piecemeal approach to factory modernisation. Factory automation integrators from the West are increasingly used to choose the hardware and oversee the installation of more specific smaller scale projects like a new engine line, stamping plant or machining shop.

But West German hardware suppliers have now established such a powerful role in a geographic area they view as their own marketing backyard that their position seems unassailable. At the same time the Italians have steadily built up a strong and increasingly important position as equipment suppliers. Of Europe's main equipment makers, the UK and France are in easily the weakest position.

"Overall I think only the niche areas are left for most British hardware makers," says John Barlow, sales and marketing director for John Brown Automation, the Coventry based arm of Trafalgar House, which earns its living as an automation integrator.

A new £4.5m semi-automated engine line which John Brown has put together for Skoda, the Czechoslovakian car maker, reflects this point.

The facility, which has been under test in Coventry before shipment to Skoda's plant at Mlada Boleslav includes a cylinder head assembly system and part of the engine assembly line which is designed to produce 250,000 engines a year.

As a sign of the more advanced marketing approach at Skoda, the engine, to be used in a new saloon due out later this year has more than 50 variations, based on eight different blocks, 4 different cylinder heads and variations on "engine dress" such as the type of ignition system.

Most of the equipment on the line is Continental. West German equipment suppliers include Siemens for the overall control system, Bosch for the robots, Festo as supplier of the pneumatics and Statec for the electronic tags which are part of the coding system.

Atlas Copco of Sweden is supplying tightening stations from its West German plant while Fata of Italy – owned by FKI Babcock of the UK which, ironically perhaps, has put the business up for sale – is manufacturing the automated guided vehicles.

In only one significant product area is Britain supplying hardware and that is through Sponmec, a West Midlands company which is producing the conveyor system. This partly reflects Britain's still substantial role in Europe as a manufacturer of conveyors.

John Brown, which won the engine line integration contract in competition with Renault Automation and the West German company Krause, is currently bidding for about eight or 10 other integration contracts for vehicle plants in Eastern Europe.

Barlow says that in the preferred supplier lists prepared by the Eastern Bloc vehicle builders and from which integrators normally have to work to, few British companies now appear. This, he argues is not surprising, for three reasons.

One is that the East Europeans have much greater familiarity with West German and Italian supplier companies.

A second reason, particularly applicable to the West Germans is that the ability to service operating equipment quickly is a crucial factor.

Siemens, for example is geographically so close that it can move components and personnel from its own sites a morning's drive from what used to be called the Iron Curtain. Siemens is now so large that it can afford an office in Moscow staffed by 40 people.

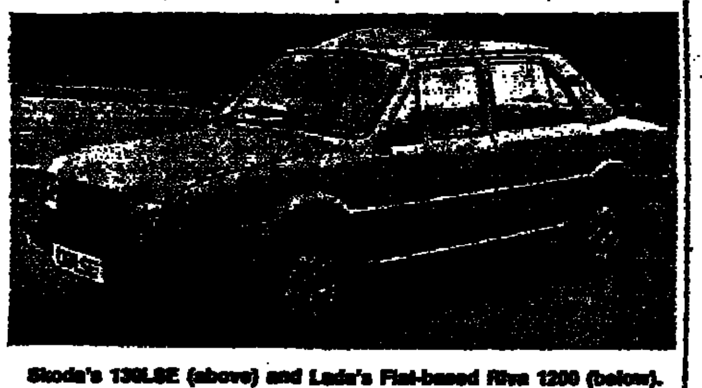
The Italians have also been studiously increasing their commitment to Eastern Europe. "The Italians are a major force," says Duncan Hine, John Brown Automation's technical director. "People worry about the West Germans and think somehow the Italians are a joke. Then all of a sudden the Italians get the contract."

The third reason is that the UK has lost a number of suppliers such as Dainichi Sykes in robots which closed and Fairey Automation which has been taken over. The UK does not have any really significant indigenously owned manufacturer of control systems suitable for car plants.

But John Brown is quick to point out that it is not a completely empty picture for the UK supply industry. The recently installed Skoda line includes a gantry fabricated in Britain and much of the electronic wiring and fabrication of cabinets for housing the controls was carried out in the Midlands.

Some Eastern Bloc car plants also use British specialist machine tools. Mlada Boleslav has some transfer line machinery supplied from the UK manufacturing site of Cross of the US which also has a sister plant in West Germany. New, British-made machine tools, though, are outnumbered at Mlada Boleslav by equipment from Krause of Austria, the Italian company Pavese and other Continental producers.

John Brown is performing the role of integrator on the £6m cylinder head line for the Rover Group's new K series engine at Longbridge. As Rover is a British company used to dealing with UK equipment suppliers or US manufacturers with production sites in Britain (like controls maker Allen Bradley), its line will have more British suppliers than the Skoda line.



Skoda's 130LSE (above) and Lada's Fiat-based Riva 1200 (below). Eastern Bloc car producers are set to move closer to their West European counterparts, using Western design studios to produce more modern body styles.

However, a significant amount of equipment at the Rover facility will be non-British, including the robots. John Brown also makes the point that the UK car industry market on its own is very small. "Many British equipment suppliers have looked at the UK as their market and that has been a mistake," says Barlow. "The main suppliers in Europe look upon Europe as the market."

Long-term relationships built up over a long period are crucial in Eastern Europe, says Colin Davis, another senior manager at John Brown. "The West Germans and Italians have followed that philosophy. British companies have not put in that time and effort, and they need to."

The UK is making a success of integration work. Apart from John Brown, there are companies like F and H Controls, which puts complete control systems together, and a number of software houses which are very capable in car plant automation. But as a sign of relative size, John Brown Automation employs 130 people. Comau, the factory systems arm of Fiat which manufactures equipment as well as performing as automation integrator for its parent company and for other vehicle builders, employs almost 5,000.

Roll out the barrel and know where it is

By Lisa Wood

THE THEFT and loss of kegs, casks and gas cylinders costs British brewers an estimated £20m a year.

It is a problem to which Zengrange, a Leeds company which designs and manufactures portable computers, believes it has the answer.

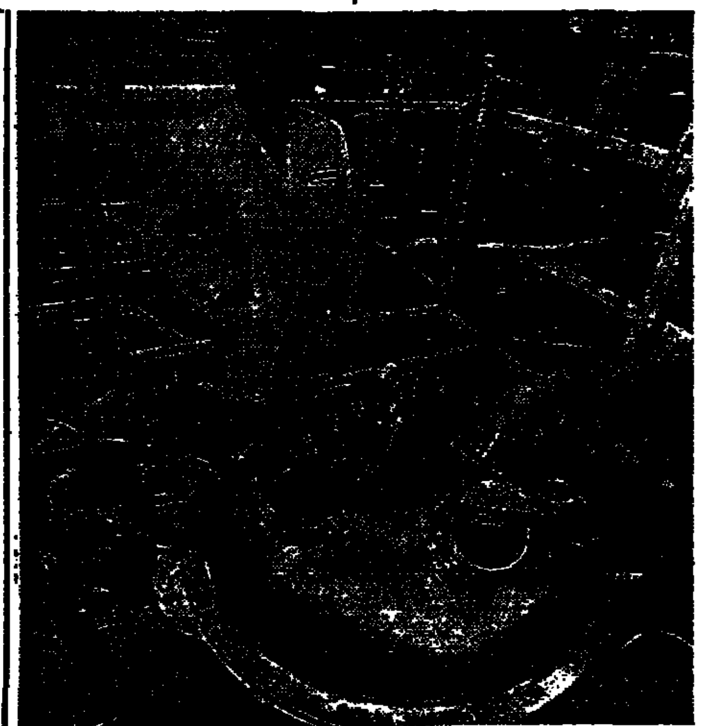
Kegtracker, a complete container-tracking system, has been designed by Zengrange for Grand Metropolitan Brewing, one of Britain's largest brewers.

The system features a barcode reading device so that draymen during their deliveries can record information coded onto kegs.

This data is then automatically fed into an in-cab computer when the barcode reader is placed in a cradle within the delivery vehicle's cabin. At the brewer's depot the information is then transfered to a management reporting system.

Zengrange, a UK Ministry of Defence contractor, says the management reporting system gives a speedy and straightforward analysis of the containers out in the trade.

The system specifically highlights those accounts with overdue containers.



Gerard Fairtlough, chief executive of Celltech, and the company's new 2,000-litre fermenter.

Celltech ferments a change of culture

BY DAVID FISHLOCK, Science Editor

THE WORLD'S biggest air-lift fermenter for cultivating mammalian cells is being commissioned this week by Celltech, the UK-based biotechnology company.

The lofty 2,000-litre culture system, designed and assembled by company engineers at a cost of £1m, will be shown to Lord Young, Trade and Industry Secretary, when he opens the new Celltech headquarters and laboratories today.

Celltech's success in picking potential winners such as the anti-cancer proteins, and others *for treating cardio-vascular disease* (clotting), toxic shock (where there is a large-scale invasion by gram-negative bacteria) and AIDS, convinced its board last year that, instead of continuing as a "biotechnology boutique," doing research under contract for pharmaceutical groups, it should plan its own bio-pharmaceutical business.

Instead of licensing ideas at an early stage, the board decided the company should take them all the way through research and development, including the costly clinical trials, before deciding on a marketing strategy.

To finance this new phase the company last autumn raised £42.5m in a private placing on the London Stock Exchange.

Most of the new money will be spent on developing and marketing up to six new drugs, of which three are based on "antibody engineering". Gerard Fairtlough, chief executive, believes the company has moved further and faster than any other in the world with this new process for designing a drug.

Even so, he acknowledges that the technique, originally developed at the UK Medical Research Council's Laboratory of Molecular Biology (LMB), could have far wider application than Celltech could hope to pursue.

Several companies have applied to the Medical Research Council for licences to use the technique. They include Unilever, interested in cancer diagnosis and treatment, and Behringwerke of West Germany pursuing research into toxic shock. Another interested party is Scotgen, a new Scottish biotechnology company, which wants to use the technique to treat infectious diseases.

Other licensees of the LMB process, if successful, could well turn to Celltech for bulk culture of the engineered antibodies. From a brew of 2,000 litres Celltech's new plant will culture perhaps 300 grams of pure protein. Sold as the kernel of a new drug or medical diagnostic, such proteins can fetch $1m per kilogram.

Celltech's past experience of scaling up such fermentations suggests that the new plant's productivity will be higher than that of the pair of 1,000-litre fermenters the company already has in production. The latest fermenter brings Celltech's culture capacity to 4,800 litres.

Cells from mammals are much more difficult to grow on a large scale than genetically engineered micro-organisms such as bacteria or yeast, but only they can guarantee exact replicas of the very complex molecules required for many pharmaceutical purposes.

The technology seems to follow the laws of scale-up familiar for more conventional kinds of process engineering. Celltech is already talking of building a fermenter of 5,000 or even 10,000 litres capacity for the 1990s.

It was in 1980 when Fairtlough discovered Ed Lennox of the LMB working on ways of scaling up monoclonal antibodies which were capable of discriminating between different blood groups.

These monoclonal antibodies promised to simplify a tricky diagnostic procedure. But Lennox knew they would be useful in medicine only if they could be made in substantial amounts – something no-one at that time knew how to do.

Fairtlough, previously managing director of Shell Chemicals, recognised from the start the importance of process technology to his embryonic bio-science company.

He wooed John Burch, from the LMB to get Lennox's antibodies into production. By 1982, Celltech was making them for Ortho Diagnostics, then and still brand leaders in blood typing products. It also supplies the UK Central Blood Laboratory Authority, and the business is currently worth about £1m a year to Celltech.

From the early 1980s Celltech has kept close to research at the LMB. It believes this work could vastly expand the horizons of monoclonal antibodies.

"We are now confident antibody engineering works," says Fairtlough. A two-year research contract for Cyanamid, the US pharmaceutical group, is near the stage of making five candidate molecules in quantities big enough for Cyanamid to use in clinical trials of new ways for diagnosing and treating cancer.

MANAGEMENT

BRITAIN'S TOP managers believe that over the past five years their companies have woken up to the challenge of using information technology in order to gain competitive advantage, but they accept that there is still a long way to go.

They now think they have mastered the problem of managing their systems efficiently, but they admit that they do not yet know how to use IT effectively.

These are the chief conclusions to emerge from a study of attitudes to IT among chief executives in UK companies carried out over the past month by the Financial Times in conjunction with the management consultancy, Price Waterhouse.

Among its principal findings are:

- A majority of chief executives believe they have the necessary expertise at board level to guide their companies in the strategic use of IT.
- There has been a dramatic increase in the number of companies attempting to measure the efficiency of their IT operations.
- The role of the data processing manager seems certain to decline as his traditional responsibilities are annexed by the IT director and his "customers" run their own systems.

The survey is one of the largest of its kind ever undertaken in the UK with responses from 76 companies each with more than 5,000 employees, 98 with 501 to 5,000 and 63 with under 500.

The aim was to investigate the way top management is thinking about IT as the emphasis on computers in business shifts from their traditional use in accounting and payroll to employing them as strategic weapons in, for example, management information and marketing.

Some 237 chief executives completed and returned the questionnaire, about 13 per cent of the sample canvassed.

Professor Kit Grindley, of the London School of Economics and of Price Waterhouse, who has been co-ordinating computer opinion surveys for over 10 years, considers this a higher response from chief executives than would normally have been expected.

Several chief executives had written, for example, to say it was against company policy to take part in surveys. Grindley says: "The level and quality of the response is, in itself, evidence of the growing interest in IT at board level."

The survey shows that chief executives are broadly satisfied with the efficiency of IT operations in their companies, although their use of IT for strategic purposes is still at a comparatively low level.

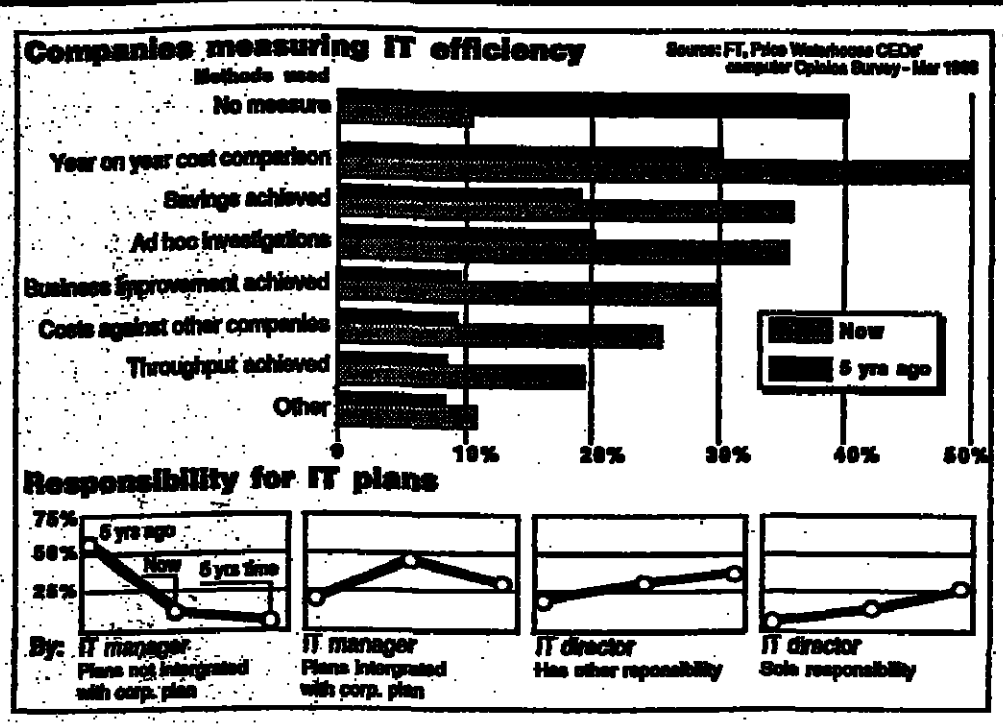
Asked if they were content with the level of IT efficiency in their companies, 61 per cent of chief executives replied that they were largely satisfied, although there was some scope for improvement. Less than 10 per cent claimed to be completely satisfied while 20 per cent thought there was considerable room for improvement. Only 11 per cent felt unable to express an opinion.

There has, however, been a striking change in senior management attitudes to the measurement of IT over the past few years.

About 40 per cent of the sample claimed that five years ago their companies made no attempt to measure the efficiency of their IT operations – those that did used chiefly year-on-year cost comparisons as a measure.

Today, according to the survey, 88 per cent of companies in the UK are trying to put figures to the cost of IT. Year-on-year cost comparison is still the most popular method of analysis with savings expressed as return on investment and ad hoc investigations of major cost areas also assuming importance.

Grindley notes: "The picture that comes across is one of greatly improved management control of IT operations in the past five years with basic performance measurement techniques being introduced in what was previously a 'no-go' area for top management."



Top executives are tuned in to IT

Alan Cane reports on the findings of an FT survey

Use of IT systems in administration and corporate strategy (UK organisations)

	5 yrs ago%	Now%	5 yrs' time%
Internal admin services computerised	46	65	73
Operational strategies depending on IT	13	35	57
Broad ratio: strategic to admin use	1/4	1/2	3/4

Source: Financial Times/Price Waterhouse CEOs' Computer Opinion Survey — March 1988

There is anecdotal evidence to support this conclusion; data processing managers have been complaining in recent years that their budgets are being subjected to much greater scrutiny. In the US, experts are predicting that data processing budgets will stay at their present level or decline as senior management seeks ways of using their systems more effectively.

One chief executive put the argument pithily: "We cannot count jobs saved any more," he said. "Today, it is about using IT to capture market share and defend it. That is vitally important. But how do you measure effectiveness in this area to the point where you can say what you should be spending on IT?

"I am responding to blackmail most of the time. Blackmail from the suppliers and from my own IT management who never stop telling me what the competition is spending – and blackmail from today's high quality recruits who expect unlimited computer power on their desks the day they join."

How effective, in fact, do top executives in the UK think their companies are at managing IT? Do they, for example, think they have the necessary expertise at board level to guide their companies in the strategic use of IT? Remarkably perhaps, 70 per cent of those surveyed think they do.

The bald figures may not tell the whole story. The managing director of one large technologically-based company replied "No" to the question, although members of his board are skilled in electronics design. "I am being very critical of my board," he said. "But there is a profound distinction between having the ability to design IT equipment and being able to use IT as a business tool. I do not believe all my colleagues have that expertise".

Nevertheless, the balance between the administrative use of computers and for strategic (competitive advantage) purposes is changing rapidly.

Five years ago, chief executives reckoned they had computerised about half their administration tasks – accounting, payroll, etc – and only just over 10 per cent of possible strategic applications, a ratio of strategic to administrative use of about 1:4.

Today, the balance has moved to 1:2 and the expectation is that in five years' time, it will have moved to 3:4. It is interesting to note that by 1993, the consensus is that firms will still have computerised only about 75 per cent of their traditional data processing tasks.

The survey provides the clearest evidence of the declining importance of the data processing manager.

His role in the planning of data processing operations is being usurped by a new corporate animal, the board director with special responsibility for IT.

At the same time, new computing technology has made it easier for his "customers" – company executives who rely on the data processing department for their computing – to plan and manage their own systems. The survey shows that in all the principal areas of business computing, the data processing manager is steadily losing control to his users.

In conventional day-to-day applications, in fact, users are already in control, a clear sign of the influence of "fourth generation languages", computer software which makes it easy for a non-computer specialist to interrogate and program a computer.

Only in the complex areas of communications and major data processing operations is the data processing manager still unequivocally in control.

The best DP managers will undoubtedly take on the role of IT director at board level. Those who cannot make that shift, it seems, will face a humbler future managing a greatly reduced data processing operation.

Further details of the survey will be published in the Price Waterhouse IT Review 1988/89 on May 17.

<u>Finance directors</u>

Rather more than an accountant

Glaxo's difficulty in filling its vacancy underlines the changing role of this key figure. Michael Skapinker reports

WHEN Glaxo Holdings advertised for a finance director last month, it called the post "one of the most significant financial appointments in British industry".

Few would quibble with that evaluation. Glaxo, a corporate star of the Thatcher years, is one of the world's leading drug companies. To sit on its board must be the goal of many an ambitious executive.

Yet Sir Paul Girolsmi, Glaxo's chairman, says the group has been looking for a finance director for at least a year. The present incumbent, Charles Newcomb, is due to retire. Apart from press advertisements, the group has used a headhunter, so far without success.

Sir Paul concedes that Glaxo has set its sights high. It is looking for someone, preferably in his fifties, who has already served on the main board of a major group of companies. "We want someone who is ready-made," he says. "We have the talent in the group, but they're not ready yet."

Glaxo and other large companies, however, face an additional problem: good finance directors of any age are difficult to find. "For an organisation of that size, the pool of suitable people is small," says Valerie Fairbank, head of executive selection at Peat Marwick McLintock.

Why this should be so is not immediately clear. Almost all British finance directors begin their careers by qualifying as accountants – and the country is certainly not short of those. A report last year by Professor Charles Handy calculated that Britain had over 120,000 qualified accountants, compared with 4,000 in West Germany and 6,000 in Japan.

Being an accountant, however, is no longer enough. Brian Walsh, finance director of the engineering and industrial services group GKN, says that there has been a "fundamental change in what companies expect from their finance directors." Apart from their traditional accounting and financial skills, they have to be aware, too, of the environment in which the company operates.

This change, he says, is the result of another important shift, that "between companies and their owners, the shareholders. The market has made it clear to companies that if they cannot maximise shareholder wealth, others will come in and take over the company.

"That's a change from the stable environment of 10 years ago. Then the finance director was responsible for the external requirements of the Companies Act and the Stock Exchange. That's still there, obviously. But apart from that, the finance director has become a major participant in achieving what is now the main goal of the company: enhancing shareholder wealth."

To play this role, the finance director has to be able to draw on a vast store of knowledge, skill and experience. "The finance director needs to know what's going on in the capital markets. He needs to have had experience at the sharp end of fund raising and acquisitions," says Mark Weedon of consultants Egon Zehnder International.

"The sophistication of financial instruments today requires a level of intellectual abilities that just wasn't there 20 years ago," adds Julian Franks of the London Business School.

Finance directors also need a more international outlook than in the past. The capital markets are now global. Exchange rates, as Sir Paul Girolami points out, move up and down "like a yo-yo."

Apart from this additional range of skills, the modern finance director needs to have a different attitude from those of his executive colleagues. He needs to have a detailed sophisticated understanding of what they do and to think of himself as being part of the executive team.

"To use the American terminology, he has to be proactive," says GKN's Walsh. "He has to come up with ideas. He has to contribute to the action of the company. The finance director can no longer stand back and just assess what the company does."

In the past, says Franks, the finance director might have gone to his colleagues and and said, "tell me what your financial plans are and I'll tell you whether you've done the numbers correctly." Today the finance director is more likely to ask how his colleague's plans fit in with the company's overall strategy.

Given the large range of abilities required, what chance is there of large companies being able to look forward to a more plentiful supply of finance directors in the future? Some executives say that the increased emphasis on management education in the UK is a hopeful sign. It should, they say, lead to larger numbers of accountants acquiring additional business and financial skills. Julian Franks adds that companies might become more willing to appoint finance directors who are not trained accountants.

It is unlikely that the shortfall will be made up by recruiting accountants from abroad. "I think we're still fairly chauvinistic in that sense," says Peat Marwick's Valerie Fairbank. "It's more common for UK accountants to take up appointments in Europe than the other way around."

Sir Paul Girolami, however, argues that the reasons for this are not chauvinistic. "Our base is in the UK, we have our relations with the City. Anyone from outside the UK would start off with a disadvantage," he says. "I don't think that the financial markets on the Continent are as sophisticated as in London."

The headhunters insist that they can, given time, eventually find suitable finance directors for large corporations. Unsurprisingly, they are not overly enthusiastic about companies advertising the post directly.

The finance director of one large company argued, anonymously, that no senior finance director would, in any case, be prepared to sit down and write a letter of application and a curriculum vitae in response to a newspaper advertisement.

But, says Sir Paul, "they don't need to write a CV, do they? The right person can say 'Dear Paul, I'm interested' and put their name at the bottom. I'm really after someone I probably know."

THE PROPERTY MARKET – EDITED BY PAUL CHEESERIGHT

Fuel of fresh growth

MARGRAM calls itself a niche company - a property developer operating in the specialised area of the motor trade. It has just sold a package of sites with a development value of £15m to Heron International that will be, as David Davis, the chairman put it, "the seedcorn of the Heron expansion."

When Heron this week said it had a team looking for sites it was in fact referring to Margram, a company set up as a petrol station operator in 1971 by Mr Davis. But early last year Mr Davis was joined by John Bryant who had cut his teeth in the motor trade by buying, selling and developing petrol stations for none other than Heron.

Mr Bryant's arrival marked a definite shift in Margram's business, an intention to expand more vigorously into petrol station development. In the early 1980s, Margram had a chain of 15 sites. Last year it bought 40. Now following the sale to Heron and another smaller sale to Mobil, it has about a dozen. It expects to acquire 60 this year, the majority of which seem destined to be sold on to Heron.

Margram had seen its potential growth as being like Heron's in the 1960s. Now it is passing on to Heron sites which in the normal course of its plans it would have developed itself. That will clearly provide a quicker source of profits than would otherwise have been the case, but would appear to open up the risk of being absorbed into the Heron empire.

The new thrust towards development that came in with Mr Bryant had already shown up in pretax profits - £600,000 in the year to January 1987 but £1m in the year to January 1988.

With the purchase of new sites Margram has three choices. It can retain them, sell them on to Heron or an oil company, or seek a change of use for them so that other activities can be added on to the basic operation. Thus the company has links with, for example, Trusthouse Forte and McDonalds.

Financing of its operations has come largely in two ways. It can seek development funds from an oil company and offer that company in return an exclusive petrol outlet for five years. But at the same time it can use its own resources. Margram has a revolving credit facility with Barclays secured on its existing assets.

Now it has added a new element to its financing. Margram has established a new subsidiary with Touche Remnant, the investment house. Touche Remnant is prepared to invest £9m, and has so far committed £3m, in the new company. Equity will be split: 65 per cent to Margram, 35 per cent to Touche Remnant.

Mr Davis has thus been prepared to give up potential profits to obtain the shelter of a larger partner. But the existence of a deeper purse at Margram means that the company will be able to look at sites which in the past it might not have been able to afford. Thus it has purchased a city centre site in Norwich and two more in west London.

It also means that the company can afford to be patient. Where it is involved in seeking a change of use, it will take up to two years to gain the planning consents, so that the carrying costs of a site can be extensive.

The implications of the partnership go further, however. Sometime in the next two years, Margram will seek a Stock Exchange listing. It is in a stronger position to do that with Touche Remnant as a partner.

What it will offer to the market is a company with operational subsidiaries all related to the motor trade. It has just established Margram Developments, which will be under the charge of Ed Hopkins, formerly with McDonalds.

The new company has been set up to add on catering, hotel and retail facilities to the petrol station sites, so that the property investment generates a wider cash flow than would be obtained from merely from filling operations. With a healthy cash flow from a site, Margram need never be in a position where it is forced to sell.

Revolution on the forecourts

PETROL stations are increasingly becoming more diversified retail outlets.

Given the boom in the retail and leisure property market nationwide, this trend was probably inevitable. For the property owner the diversification is a godsend: it allows a varied stream of revenue, so that even if the petrol-selling is not in itself economic, it can become worthwhile when allied to a store, a fast-food outlet, an off-licence, a video club, a hotel, a business centre or whatever.

Just as major retailing groups like Sainsbury have been backing into petrol sales, so the petrol station operators have been backing into other forms of retailing. It is hardly surprising. While margins on petrol sales fluctuate, returns on a volume of less than 250,000 gallons of petrol a year are unlikely to be spectacular. Hence a need to pile new activities on to a site.

These add-on activities help to explain a contradiction. The number of petrol stations has been contracting - from 35,000 to 20,000 in recent years - but property activity in the petrol and motor trade has been increasing especially since the second half of 1987.

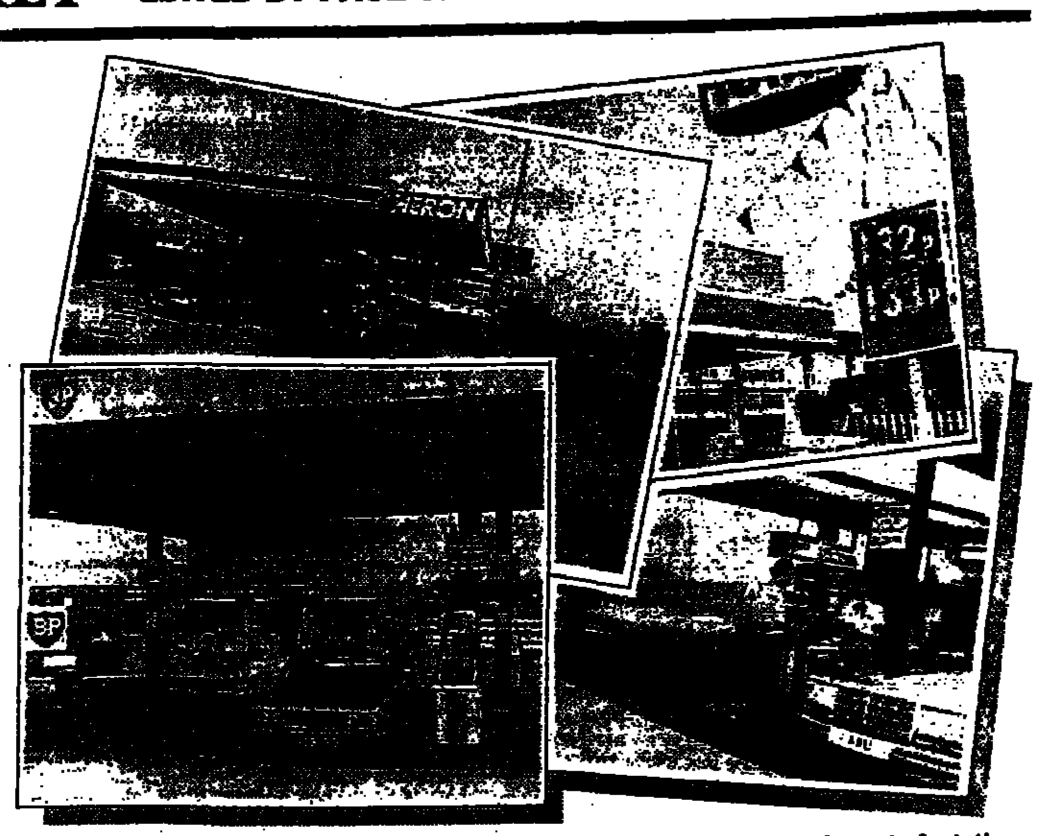
Over the last ten years, according to Michael Pearce of Rapleys of Huntingdon, chartered surveyors specialising in motor trade properties, oil companies have disinvested from sites with a low volume of petrol sales. But over the last three years new developers have emerged promoting greenfield sites, opening new avenues for the trade.

Further, the search for sites has been spreading. Gerry Francis, at Berney Rowland, chartered surveyors in London, made the point that congestion on the motorways has diverted traffic to the old roads, opening up new development possibilities.

This is not confined to the south. Previously the main thrust of any search for sites would have been in London and the Home Counties. But now there is a new emphasis on the Midlands and North, the regions mentioned by Heron International when earlier this week it announced a £100m expansion of its petrol-selling chain.

Partly this a result of the spread of disposable income - the same phenomenon which has been behind the drive into retail property investment. But it is also a question of land prices.

"Prices in the south are too high to get a good bargain, and you're limited on site size.



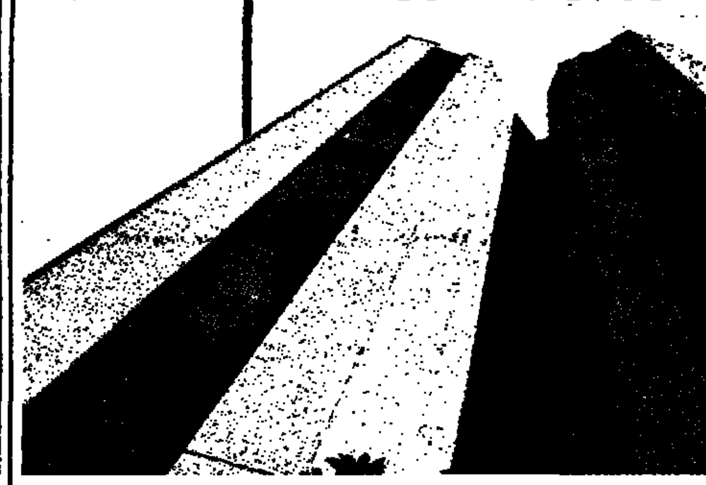
The margins are often the same, but the initial outlay is reduced outside the south," commented Mr Francis.

A greenfield site of one acre in the north could cost £300,000. The same site at Potters Bar outside London could run up to £800,000.

Much depends on the potential for the development of the site. An operational site in Gerrards Cross, changing hands within the motor trade, might cost £350,000. But if it had development potential, and by this is meant the ability to add on other activities, of which a car wash is the most basic, then the price could go up to £750,000.

These sort of prices reflect the growing demand of an active market into which the major oil companies are returning. Although the market is admittedly fragmented, Mr Pearce has detected three strata.

The first belongs to the oil companies, which remain dominant in the petrol station trade. The second belongs to the larger independent groups like Margram, the subject of the accompanying article, and the much bigger Heron. At this level the companies are seeking sites capable of handling petrol sales in the order of 300,000 to 400,000 gallons a year. The third is made up of smaller independent companies, each with one or two petrol stations, probably operated under a franchise from an oil company.



International Property

PROPERTY ALONG THE M3/M27

The Financial Times proposes to publish this survey on:

FRIDAY 20th MAY

For a full editorial synopsis and advertisement details, please contact:

JOANNA DAWSON
on 01-248 8000 ext 3269

or write to her at:

Bracken House
10 Cannon Street
London
EC4P 4BY

ALSO: Property Along M4.
This Survey will now be appearing on Friday April 22nd.

Conferences

AGRICULTURAL SEMINAR INVESTMENT OPPORTUNITIES IN AUSTRALIA WEDNESDAY 27TH APRIL 1988 AT THE AUSTRALIAN HIGH COMMISSION, AUSTRALIA HOUSE, STRAND, LONDON, WC2

The Western Australian Government, in association with others are holding a half-day Seminar on Australian agricultural investment opportunities.

This Seminar is designed to provide detailed information on the current range of investment opportunities available in Australia for the private and corporate investor, it will provide an overview of the Australian agricultural industry, highlighting the development of new and expanding markets for our agricultural produce in South East Asia, and the Australian Government's policy on overseas investment.

Admission is strictly by ticket.
For further information phone:-
01-240-2881
or
047482 2969

International Property

Company Notices

COMMERZBANK
AKTIENGESELLSCHAFT

NOTICE IS HEREBY GIVEN that this year's Annual General Meeting of Commerzbank AG will be held in Frankfurt on May 26, 1988.

AGENDA (abridged version)

1. To consider the Bank's established Annual Accounts, the Management Report, the Report of its Supervisory Board, together with the Consolidated Annual Accounts and the Group Report, for the year ended December 31, 1987.
2. To approve the payment of a dividend of DM 9 per DM 50 nominal share, thereby also approving a payment to the holders of the Bank's profit-sharing certificates of 9.75% of the latter's face value.
3. To approve the actions of the Board of Managing Directors during the financial year 1987.
4. To approve the actions of the Supervisory Board during the financial year 1987.
5. To authorize the Board of Managing Directors to approve the issue of profit-sharing certificates – also carrying option or conversion rights – of convertible bonds or of bonds with warrants, with such rights or warrants entitling their holders to subscribe to shares of Commerzbank AG, and also to resolve on a conditional increase of the Bank's share capital, and to amend its statutes accordingly.
6. To authorize the Board of Managing Directors to grant option rights for subscribing to Commerzbank shares to the holders of bonds with warrants still to be issued by a fully-owned foreign subsidiary of Commerzbank AG, and also to resolve on a conditional increase of the Bank's share capital, and to amend its statutes accordingly.
7. To appoint new members of the Supervisory Board.
8. To appoint Treuarbeit as the auditors for the financial year 1988.

Shareholders in the United Kingdom who wish to attend and vote at the Annual General Meeting should inform either the London Branch of Commerzbank AG at 10/11 Austin Friars, London EC2P 2JD, or S.G. Warburg & Co. Ltd., Paying Agency, 6th Floor, 1 Finsbury Avenue, London EC2M 2PA, who will make the necessary arrangements. Such notice should be given by May 10, 1988.

Copies of the German version of Commerzbank's 1987 Annual Report will be available shortly from both Commerzbank and S.G. Warburg & Co. Ltd. The English version is currently being prepared.

COMMERZBANK AKTIENGESELLSCHAFT

THYSSEN AKTIENGESELLSCHAFT
WESTMINSTER BANK LIMITED
DEPOSIT CERTIFICATES

National Westminster Bank PLC gives notice that claims may now be lodged for the twenty-sixth dividend due 28 March 1988, on the Deposit Certificates at the rate of £0.240385 per DM 10 Unit. United Kingdom Income Tax as shown below will be deducted unless claims are accompanied by an appropriate Inland Revenue declaration:-

Gross Dividend of DM 1.00 per Unit .. £0.320513
25% German Tax £0.080128
United Kingdom Income Tax
at 12% on Gross Dividend £0.038461

Claims should be lodged at Stock Office Services, 20 Old Broad Street, London EC2N 1EJ, on special forms obtainable from that office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in Space No.29 provided on the back of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificates for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

BARCRO-OLYMPIC STRANDERS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 105 of the Insolvency Act 1986, that Meetings of the Shareholders and Creditors of the above-named Company will be held at 6, St. James's Square, London SW1Y 4LD on Friday 29th April 1988 at 10.00 a.m. and 10.15 a.m. respectively for the purpose of having laid before them an account of the Liquidator's acts and dealings and that of the conduct of the winding up during the past year. Proxies to be used at the Meeting must be lodged with the Liquidator not later than 4.00 p.m. on the day before the meeting.

L.A. BRODER
Liquidator

30th March, 1988

Legal Notices

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
No. 001952 of 1988
IN THE MATTER OF LAWRENCE INDUSTRIES plc -and- IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 28th March 1988 presented to Her Majesty's High Court of Justice for the confirmation of the Reduction of the Share Premium Account of the above-named Company by £1,850,748.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Warner at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 25th day of April 1988.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said Reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.
Dated this 15th day of April 1988

Clifford Chance
Royex House
Aldermanbury Square,
London EC2V 7LD
Tel: 01-600-0808
Ref: DON/BJS/L0395/009
Solicitors for the above-named Company.

Personal

URGENTLY & PRAYERFULLY SOUGHT - LOW INTEREST LOAN TO ESTABLISH CHRISTIAN SCHOOL. PLEASE TELEPHONE: 051 327 1851

Art Galleries

CLASSIFIED ADVERTISEMENT RATES

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Appointments	14.00	47.00
Commercial and Industrial Property	12.00	41.00
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Business Opportunities	14.00	48.00
Businesses For Sale/Wanted	13.00	44.00
Personal	10.00	34.00
Motor Cars, Travel	10.00	34.00
Contracts, Tenders	13.00	44.00

Premium positions available
£10 per Single Column cm extra (Min 30 cms)
All prices exclude VAT
For further details write to:
Classified Advertisement Manager
FINANCIAL TIMES, 10 CANNON STREET, LONDON EC4P 4BY

Contracts & Tenders

EREGLI IRON AND STEEL WORKS, INC.
TURKEY

1 Announcement is hereby made for the following two projects included within the "CAPACITY IMPROVEMENT AND MODERNIZATION PROJECT" in the intergrated steel plant of Eregli Demir ve Celik Fabrikalari T.A.S. located at Kdz.Eregli Turkey. The project is aimed to increase production, improve product quality and reduce production costs and energy consumption including general and detailed engineering services and fabrication.

Project Name

A. CONTINUOUS CASTING FACILITIES NO.3 AND 4.

The continuous casting facilities annual production shall be 550.000 metric ton slabs per year each. Slabs shall be 750-1300 mm wide 200 mm thick at slab caster No.3; 1000-1650 mm wide, 140 and 200 mm thick at slab caster No.4.

Continuous casting machines, hydraulic and water cooling systems, computerized control systems, buildings, ect cranes, transfer cars, piping systems; and all other mechanical electrical equipment required for a complete operating system are in the scope.

B. ONE (1)-1500 TPH CAPACITY SHIP UNLOADER AND ONE (1) 25 TONS CAPACITY HARBOUR CARGO CRANE (LEVEL LUFFING CRANE WITH JIB).

2 Tender documents for each project mentioned under A and B above may be obtained from the following address as of 11 April 1988 and after depositing 750.000.-Turkish lira for each project to ERDEMIR Cashier's Office at Kdz.Eregli-TURKEY indicating the project name;

ERDEMIR, Vice-President Purchasing
Foreign Purchase Department (BA.17)
Kdz.Eregli, TURKEY

3 Pre-Bid conference and Plant Site visits shall be conducted on 25 and 26 May 1988 respectively.

Bid closing dates for both projects A and B are 08 and 09 August 1988 respectively and no sealed bids shall be taken into consideration for evaluation if submitted to our above mentioned company address after the said date(s).

4 Our company reserves the right to place the order either partially or completely with any bidder or to cancel the tender completely. The receipt of quotations shall in no way be binding upon our company

5 As the finance source either SUPPLIER'S CREDIT or any credit in foreign currency provided by Erdemir shall be utilized.

6 The BIDDER or its technology supplier in case the BIDDER is a trading company must have had successful experience in design, manufacturing, supply and start-up of similar type projects.Subsuppliers so selected by BIDDER or technology supplier must be well experienced companies in their respective fields also.Companies which intend to participate in this international bidding must fill in and return preprinted"QUESTIONNAIRE FORMS" attached to the tender documents in order to provide information concerning their experience until 02 and 03 May 1988 respectively.

Announcement from
EREGLI IRON AND STEEL WORKS CO. (ERDEMIR)/TURKEY

1- Approximately 9000 metric tons of high carbon ferromanganese to be imported in two equal lots for our works 1988 requirement.

2- Tender documents for this enquiry may be obtained as of 15 April 1988 from our following offices;

a)Eregli Demir ve Celik Fabrikalari T.A.S.
Satinalma Genel Mudur Yardimciligi
Dis Alimlar Mudurlugu (Foreign Purchase)
Uzunkum Cad.
Kdz.Eregli/TURKEY

b)Eregli Demir ve Celik Fabrikalari T.A.S.
Satinalma Genel Mudur Yardimciligi
Satinalma Mudurlugu
Gumussuyu Cad.Dersan Han Kat.4
Istanbul/TURKEY

c)Eregli Demir ve Celik Fabrikalari T.A.S.
Satinalma Genel Mudur Yardimciligi
Dis Alimlar Mudurlugu
Dis Alim Siparis Takip Sefligi
Ataturk Bulvari. Selcan Han No.127 Kat.5
Ankara/TURKEY

3- The offers in sealed envelopes should be submitted to Eregli Demir ve Celik Fabrikalari T.A.S. Satinalma Genel Mudur Yardimciligi, Uzunkum Cad. Kdz.Eregli/TURKEY at the latest by 12.00 hours Turkish local time on 29 April 1988.

4- Our company reserves the right to place the order either partially or completely with any bidder or to cancel the tender completely. The receipt of quotations shall in no way be binding upon our company.

Company Notices

GESTETNER HOLDING B.V.

£10,000,000 11% Sterling Foreign Currency Bonds 1988

FINAL REDEMPTION

Notice is hereby given that all the outstanding bonds of this loan, amounting to £5,891,000 nominal capital, will be redeemed at par on 16th May 1988, although interest thereon will cease to be payable with effect from 15th May 1988.

These bonds may be presented at the offices of the Paying Agents (set out on the reverse of the coupon), in the manner specified in Condition 6 of the Terms and Conditions of the loan printed on the bonds, for repayment of the principal and for payment of interest due against Coupon No. 10 dated 15th May 1988.

Gestetner Holding B.V. announces that for the redemption period ending on 15th May 1988 it has purchased and cancelled bonds of the above loan for £72,000 nominal capital and tendered them to the Trustees.

Bondholders electing to receive payment of principal in U.S. Dollars must give irrevocable written notice to any Paying Agent named on the reverse of the bond on or before 29th April on the appropriate form available from a Paying Agent.

Principal Paying Agent: N M Rothschild & Sons LimitedNew Court
St Swithin's Lane
London EC4P 4DU

15th April 1988

GOLD FIELDS COAL LIMITED

(Formerly The Clydesdale (Transvaal) Collieries Limited)
(Incorporated in the Republic of South Africa)
(Registration No. 01/01124/06)

ISSUED CAPITAL: 16,882,721 shares of 50 cents each

	Consolidated Quarter ended 31 March 1988	Consolidated Quarter ended 31 December 1987
OPERATING RESULTS (tons 000)		
Total mined	2,534	2,411
Tons sold	2,298	2,152
FINANCIAL RESULTS (R000)		
Sales and other revenue	47,012	44,623
Cost of sales	41,131	39,569
Profit before tax	5,881	5,054
Tax	1,489	3,390
PROFIT AFTER TAX	4,392	1,664
Capital expenditure	1,125	385
Dividend		8,432

NOTES:

1. Capital Expenditure The unexpended balance of authorised capital expenditure at 31 March 1988 was R6.8 million which includes estimates authorised for 1988.
2. Dividend A dividend (No. 149) of 50 cents per share declared on 10 December 1987 was paid to members on 10 February 1988.

On behalf of the Board,
P.R. Janisch
A.M.D. Gnodde
Directors

13 April 1988

M40.022

PETROLEOS MEXICANOS US$ 125,000,000
Floating Rate Notes due 1991

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 14th April, 1988 to 14th October 1988 the Notes carry an Interest Rate of 7½% per annum. The Interest Payable on the Relevant Interest Payment Date, 14th October against Coupon No. 15 will be US$ 190.62 net per US$ 5,000 Note.

AGENT BANK
CHEMICAL BANK

Arts Week

F	S	Su	M	Tu	W	Th
15	16	17	18	19	20	21

Music

PARIS

Ensemble Instrumental a Sei Voci (Auditorium des Halles). Costeley, Bertrand, Sermisy (Mon). (42 30 15 16).

Hanna Schwarz (Théâtre de l'Athenée). With Erik Werba, piano (Mon). (47 42 67 27).

Tokyo Metropolitan Orchestra (Salle Pleyel). Conducted by Maitre Wakasugi: Mozart, Tchaikovsky, Brahms (Mon). (45 63 88 73).

Berlin Radio Symphony Orchestra (TMP-Chatelet). Conducted by Riccardo Chailly: Mozart, Mahler (Mon). (42 33 44 44).

Ensemble Orchestral de Paris (Salle Pleyel). Conducted by Armin Jordan, Mikhail Rudy, piano: Schoenberg, Schubert, Mozart (Tue). (45 63 88 73).

Ensemble Vocal of Neuilly and Ensemble Orchestral Harmonia Nova (Saint-Roch Church). Faure Requiem, Caplet-Three Prayers For A Baritone conducted by Didier Bouture (Wed). (42 61 93 26).

Nouvel Orchestre Philharmonique (Radio France, Grand Auditorium). Conducted by Marek Janowski, Raphael Oleg, violin: Schubert, Berg (Wed). (42 30 15 16).

Orchéstre de Paris (Salle Pleyel). Conducted by Alain Lombard, Natalia Gutman, cello, Jean Dupouy, Alto: Haydn, Saint-Saëns, Berlioz, (Wed, Thur). (45 63 88 73).

ITALY

Milan, Teatro alla Scala. Violinist Oleg Kagan and pianist Vassili *Lobanov*. Beethoven, Schubert and Schnittke (Mon). (80 91 26).

Parma, Teatro Ducale. I Solisti Aquilani conducted by Vittorio Antonellini. Rossini, Sacchini, Cirri and Rolla (Wed). (35561).

Rome, Oratorio del Gonfalone, Via del Gonfalone 32/A. Die Kammermusiker Zurich. Beethoven, Mozart, Schubert and Brahms (Thur). (68 75 952).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic Chamber Orchestra conducted by Lev Markiz, with Maria Tipo, piano: Mozart, Bartok (Tue). Christoph von Dohnanyi conducting the Concertgebouw Orchestra, with Yevgeni Kissin, piano: Brahms, Chopin, Schonberg (Wed, Thur). (718 345).

Amsterdam, Paradiso. The Netherlands Chamber Choir and the Schonberg Ensemble: Dallapiccola, Nono, Petrassi, Scelsi, Maderna (Tue). (26 45 21).

Utrecht, Vredenburg. Lev Markiz conducting the Netherlands Philharmonic, with Elisabeth Leonskaja, piano: Janáček, Mozart, Tchaikovsky (Wed). Concert performance of Verdi's La Traviata, with the Utrecht Opera Choir and soloists conducted by Johan van de Kamp (Thur). Recital Hall: The Udo Reinemann Vocal Quartet, with David Selig, piano: Brahms (Tue). (31 45 44).

The Hague, Philipszaal. The Hague Philharmonic: Lotti, Schubert, Ibert, Malipiero, David, Roussel (Wed). James Conlon conducting the Rotterdam Philharmonic, with Ken Noda, piano, and Hakan Hagegard, baritone: Mozart, Mahler (Thur). (60 98 10).

Scheveningen, Circus Theatre. Prizewinners of the 1988 Scheveningen International Flute Competition, with the Radio Symphony Orchestra conducted by Kenneth Montgomery (Thur). (55 88 00).

NEW YORK

Alfred Brendel (Carnegie Hall). All-Schubert piano recital. (Mon). (247 7800).

Philharmonia Virtuosi (*Town Hall*). Richard Kapp music director, Thomas Young tenor, Taghkanic Chorale directed by Dennis Keene. Handel, Telemann. Gilbert & Sullivan (Tue). (842 1818).

Lenore Weinstock (Merkin Hall). Viola recital. Bach, Brahms, Vaughan Williams, Tibor Serley, Karen Campbell (world premiere). (Tue). (362 8719).

New York Philharmonic (Avery Fisher Hall). Charles Dutoit conducting, Jean-Phillippe Collard piano. Duttileux, Ravel, Stravinsky (Tue): James de Preist conducting. Haydn, Persichetti, Tchaikovsky. (Thur). (874 2424).

Sharrill Milnes (Kaufmann Hall). Baritone recital. Handel, Marcello, Getry, Santoliquido, Somervell, Saint-Saëns (Wed). (996 1100).

Ursula Oppens (Kaufmann Hall). Piano recital. Mozart, Eisler, Schubert, Bley, Chopin, Carla Bley (Thur). (996 1100).

Meridian Arts Ensemble (Juilliard Concerts at the IBM Garden Plaza). Brass quintet ensemble performs Bach, Bernstein, Joplin, Handel (Wed, 12.30, free). At 56th & Madison.

WASHINGTON

Monte Carlo Orchestra (Kennedy Center Concert Hall). Lawrence Foster conducting, Katia and Marielle Labeque duo pianos. Dukas, Bruch, Rousel (Mon). (254 3776).

National Symphony (Kennedy Center Concert Hall). Rafael Frühbeck de Burgos conducts Beethoven and Stravinsky (Tue 7). (254 3776).

Alfred Brendel (Kennedy Center Concert Hall). All-Schubert piano recital. (Wed). (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall). Klaus Tennstedt conducting. Kyung Wha Chung violin. Brahms, Schubert (Tue); Erich Leinsdorf conducting Walter Klein piano. Haydn, Stravinsky, Beethoven (Thur). (485 8111).

Opera and Ballet

LONDON

Royal Opera (Covent Garden). Peter Hall returns to Covent Garden as producer of the eagerly awaited new Salome, conducted by Christoph von Dohnanyi, with Maria Ewing in the title role, Robert Hale, Robert Tear, and Helga Dernesch. The revival of the ancient, threadbare Zeffirelli production of Lucia di Lammermoor *serves* for the first London showings in *the title role of* Edita Gruberova. John Pritchard conducts, and the cast also includes Luis *Lima*, Wolfgang Brendel, and Giorgio Surjan. (240 1066)

English National Opera (Coliseum). Nicholas Hytner's new production of The Magic Flute is conducted by Ivan Fischer, and has Thomas Randle, Helen Field, John Rawnsley and Gwynne Howell in the principal roles. Also in repertory: Ian Judge's production of Cavalleria rusticana and I Pagliacci, lively, inventive, over-detailed, return with a cast including Jane Eaglen, Arthur Davies, Angela Feeney, Alan Woodrow, and Jacek Strauch; and Janaček's Makropulos Case, with Josephine Barstow returning to one of her most celebrated roles as the three-centuries-old heroine. (836 3161)

Royal *Opera* House (Covent Garden). Royal Ballet in Swan Lake

Northern Ballet Theatre (Sadler's Wells). A London season starts with a triple bill containing its L.S. Lowry ballet, A Simple Man. Strictly for Lowry devotees.

PARIS

Anjouta (TMP-Chatelet). After a Chekov novella, in Vladimir Vassiliev choreography danced by Vladimir Vassiliev, Ekaterina Maximova and dancers from Moscow's Bolshoi (42 33 44 44).

Tallinn Theatre, (Salle Favart-Opéra Comique). Estonian austere Boris Godunov production with accent on the title role constitutes a counterpoint to the *same opera given at the* Palais Garnier in the sumptuous later version. (47 42 53 71)

Swan Lake (Palais Garnier-Paris Opéra). Rudolf Nureyev's choreography and Ezio Frigerio's decor is danced by Elizabeth Platel/Isabelle Guerin as Odette/Oldile, by Charles Jude/ Laurent Hilaire/Manuel Legris as Siegfried and by Rudolf Nureyev alternating with other dancers in the role of Rothbart at (47 42 53 71).

Philharmonic Orchestra from Nice (Théâtre des Champs Elysées). Siegfried. Part of the new and dramatic production by Daniel Mesguich of the Ring Des Nibelungen is performed by the and conducted by Berislav Klobucar at the (47 20 26 27).

WEST GERMANY

Berlin, Deutsche Oper. Die Zauberflöte brings Gudrun Sieber, Helen Donath, Martti Talvela and Gosta Winbergh together. Der Fliegende Holländer has fine interpretations by Ingrid Haubold, Hartmut Welker and Gerd Brenneis. Der Rosenkavalier *stars* Anna Tomowa-Sintow, Ute Walther and Helmut Berger-Tuna. *Ariadne auf Naxos, conducted by* Heinrich Hollreiser with Ute Walther, Anna Tomowa-Sintow, Carol Malone and James King. (34381).

Hamburg, Staatsoper. Don Carlos stars Natalia Troitskaya, Grace Bumbry, Giaccomo Aragall and Patrick Raftery. Der Rosenkavalier has a strong cast with Judith Beckmann, Hildegard Hartwig, Hellen Kwon and Kurt Moll. Der Fliegende Holländer completes the week with Eva-Maria Bundschuh, Heinz Kruse and Harald Stamm. (35 33 51).

Frankfurt, Opera. Elektra, produced by Herbert Wernicke, will have its premiere this week. The cast includes Olivia Stapp in the title role, Anny Schlemm, Helena Dosse, William Cochran and John Brocheler. La Bohème has fine interpretations by Gyorgyi Benza, Hildegard Heichele, Jonathan Welch and William Workman. (25621).

Cologne, Opera. Rigoletto is respectable with Janice Hall, Eva Tamassy, Juan Lloveras and Wassili Janulako. Cosi Fan Tutte brings Margaret Marshall, Andrea Andonian, Teresa Ringholz and Claudio Nicolai together. Manon Lescaut, sung in Italian, has a strong cast with Barbara Daniels in the title role, Guiliano Cianella, Alan Titus and Ulrich Hielscher. (20761).

Stuttgart, Württembergisches Staatstheater. Fidelio, in Yuri Ljubimow's production was highly acclaimed when it opened. Madame Butterfly has Awilda Verdejo, Helene Schneidermann and Carsten H. Stabell as leads. Jenufa convinces thanks *to* Eva Randova, Grace Hoffman and Manfred Jung brilliant in the leading parts. Also in the repertory: Der Liebestrank and Die Entführung aus dem Serail. 20821.

Munich, Bayerische Staatsoper. Aida stars Eva Randova, Sharon Sweet and Nicola Martinucci. Also offered John Cranko's ballet Onegin and Dornröschen, choreographed by Peter Wright. (21851).

ITALY

Milan, Teatro alla Scala. L'Elisir d'Amore in Andre Ruth Shammah's production conducted by Giuseppe Patane, with Luciano Pavarotti, Maria McLaughlin, Gabriella Ferroni and Claudio Desderi. (80 91 26).

Rome, Teatro dell'Opera. Sylvano Bussotti's Fedra (designed and directed by the composer) with Halina Moretti, Eleonora Jankovic and Aurio Tomicic, conducted by Jan Latham Koenig. (46 17 55).

Turin, Teatro Regio. Low-key production of Carmen (sung in French) by cinema director Claude d'Anna, conducted by Serge Baudo. Lucia Valentina Terrani sings the title role (alternating with Helga Muller Molinari), with Veriano Luchetti (Don Jose) Mietta Sighele (Michaela) and Giorgio Zancanaro (Escamillo). (546.000).

Genoa, Teatro Margherita. Siegwulf Turek's production of Elektra conducted by Christian Thielemann, with Martha Szirmay, Janis Martin, Sabine Hass, Heribert Steinbach and Peter Winberger. (59 98 29).

NETHERLANDS

Amsterdam, Muziektheater. The Martha Graham Dance Company with Seraphic Dilogue, Circe, Heretic, Persephone (Thur).(255 455).

Arnhem, Schouwburg. Opera Forum in Mozart's La Clemenza Die Tito directed by Vittorio Patane, August Haltmayer conducting (Mon, Wed). (42 27 41).

Amsterdam, Schouwburg. The Scapino ballet company in Coppélia, with the Northern Philharmonic Orchestra under Ed Spanjaard (Mon). (24 23 11).

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring season highlights include the world premier of Mark Morris's Drink to Me Only With Thine *Eyes, set to* Virgil Thompson's score and Santo Loquesto's set, along with the new productions of Gaité Parisienne choreographed by Leonide Massine and Raymonda choreographed by Mikhail Baryshnikov after Pepita. (362 6000). Ends June 11.

Jennifer Muller, (Joyce). With her own company, The Works, choreographer Jennifer Muller presents four New York premieres, including City and Glass House, along with a piece by guest choreographer Lynne Taylor Corbett. (242 0800).

Exhibitions

WEST GERMANY

Berlin, Martin-Gropius Bau. Joseph Beuys (1921-1986). *This is the first* complete show of Beuys works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 1980s based on a cycle, The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's memories. Beuys was a political radical, who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Stresemannstrasse 110. Ends May 1.

Bottrop, Joseph Albers Museum, Im Stadtgarten 20. To commemorate the 100th anniversary of Josef *Albers' birth, 100 paintings of* the artist, born in Bottrop (1888-1976), cover the full range of his work. Ends May 5.

Bad Homburg, Sinclair-Haus Lowengasse/Dorotheenstra. From Marees to Picasso, 92 great works of European painting, on loan from Wuppertal von der Heydt Museum and nine paintings from Marees. Ends April 24.

Hamburg, Kunsthalle Glockengiesserwall. Holbein's paintings of court of Henry VIII, from the Queen's library collection at Windsor Castle. Holbein's 50 paintings, on loan from the Queen's collection, exhibited for the first time in Germany. The pictures *show figures from the court of* Henry VIII and from the City of London, and reflect England's close contact with continental styles. Holbein was born in Augsburg, Germany in 1497, grew up in Basel and died in 1543 in London. He painted these pictures in London between 1526 and 1543. Ends May 23.

AMSTERDAM

Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

Rijksmuseum. The printroom's 200 finest 15th and 16th century ornamental prints, with designs for jewellry, weapons and furniture. Ends June 19.

Jewish Historical Museum. To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted to the theme of light in Jewish ritual, with lamps and menorahs specially commissioned from modern Israeli and Dutch artists. Ends June 12.

Rotterdam, Boymans-van Beuningen Museum. The textiles of Noriene and the glass artistry of Lino Tagliapietra inspired By the Light of the Lagoon and the long tradition of Venetian craftsmanship. Ends May 23.

The Hague, Gemeentemuseum. A lavish exhibition tracing Mondrian's development from figuration to abstraction, together with 70 paintings and drawings from the late New York period, on loan from the Sidney Janis collection. Ends May 29.

PARIS

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still life by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac *next to Van Gogh's* work, the exhibition brings out their influence on the transformation of the Dutch artist's traditionally sombre colours into a soft, impressionist palette underlined by contrasts of blues and oranges, reds and greens. Yet in spite of the revelation of his affinities with impressionism and post-impressionism structured by a strong dose of japanism, Van Gogh used both the techniques in his *search for his own*, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1972. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. Absorbed at first by paraphrasing Delacroix, Velasquez, Manet and David, his fantasies and obsessions turned to the *painter and his* model and finally to the basic themes of the archetypical woman, the couple, the man. (42 77 12 33), Closed Tue, Ends May 16.

Centre Georges Pompidou. Marc Chagall. Forty-six paintings, 405 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's *life* and work. From his beginnings in Russia to his last years in the South of France, aloof from the many avant-garde movements of his time, he remained the painter of poetry, dreams and mysticism. The public thus has a preview of the donation in which the strength of line of his drawings is matched by the glory of colours in his paintings. (42 77 12 33) Closed Tue. Ends June 5.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon, Ends May 7.

Grand Palais. Degas. An important retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers – there are the two versions of La Classe de Danse – and of jockeys and race courses, of washerwomen, milliners and bathers show the diversity of his inspiration echoed by the variety of his modes of expression. Oils and pastels, drawings and engravings, photographs and sculpture complete the vision of daring and invention of the painter who helped to usher in modernity. Grand Palais (42 56 09 24). Ends May 16, Closed Tue.

VIENNA

Kunst und Revolution, Austrian Museum of Applied Arts. A rare opportunity to see Russian and Soviet art from 1910-1932 under one roof. There are marvelious paintings by Kazimir Malevich, Wassily Kandinsky and Alexander Rodtschenko as well as a fine collection of pre and post-1917 posters. It conveys the creativity and energy, expressed in the suprematist movement (1913-1915), the Inchuk group of artists based in Moscow (1920-1924) and the constructivists (early 1920s) – movements suppressed by Stalin in the late 1920s. Ends May 15.

The Middle-class Mentality and the Spirit of Revolt, Kunstlerhaus. After the highly successful Dream and Reality exhibition which looked at fin-de-siecle in Vienna, the Austrians have gone back to the Biedermeier period (1815-1848). Probably the term revolt is a bit of misnomer. Unlike other European countries, the Austrians never had their great revolution. Ends June 12.

Lithographs and drawings by George Eisler, Secession. It is worth seeing how this building has been restored and the small but fine exhibition of one of the few artists who returned to Austria after 1945. The collection focuses on Eisler's book illustrations. Ends May 15.

Anschluss, Rathaus. Vienna City Hall is commemorating the Anschluss, *the German annexation* of Austria in 1938 by a large and courageous exhibition showing how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the jewish culture. Ends June 30.

Alfred Hrdlicka, Kunstraum, Messepalast. Austria's leading sculptor celebrates his 60th birthday with an exhibition of his work, all carved in stone. Hrdlicka is an inspiring and energetic artist who shows no signs of retiring. Ends May 29.

The cultural legacy of Vienna's Jews, Historisches Museum, Karlsplatz. Exhibits preserved by Max Berger make up this large exhibition which conveys the sense of loss as much as the community's artistic richness.

NEW YORK

Fragonard, Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 120 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costumes, as well as paintings like The Fête at St Cloud and The Seesaw. Ends May 8.

Cezanne's Basel Sketchbooks, Museum of Modern Art. More than 100 sketches follow the career of the pioneering impressionist from 1858 to 1900, with examples of his major themes, from copies of Renaissance sculpture to landscaped still lifes and bathers. Ends June 5.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 87 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

CHICAGO

Georgia O'Keefe, Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

TOKYO

Kodama, Spiral Garden, nr. Omotesando. Kodama is a Japanese word which can mean either spirit of

Continued on Page 21

ARTS

Cinema/Nigel Andrews

Kundera goes to Hollywood

The Unbearable Lightness Of Being directed by Philip Kaufman
Bellman And True directed by Richard Loncraine
Bernadette directed by Jean Delannoy

The Russian invasion of Czechoslovakia in 1968 marked the only time in history that a nation has had its clocks put back in spring. The season in question was the Prague Spring: that brave, doomed attempt to push the human spirit up through the groundfrost of communism. Milan Kundera's brilliant 1984 novel, *The Unbearable Lightness Of Being*, mourned his country's debacle and spun around it a love story and a set of philosophical musings. The love story was between a promiscuous surgeon, Tomas, and Teresa, the girl he falls in love with and marries while still womanising away like mad on the side. The philosophisings centred chiefly on the theme figured in the title. Who is truly happier: the person who is without onerous commitments, emotional or ideological, or the person who willingly takes on a burden and finds a love and loyalty towards it growing inside him?

For Kundera, who lives in exile in Paris, there is a grim heroism in the story's central act. Tomas and Teresa flee to Switzerland after the Russian invasion. But when homesick, Teresa returns to Prague, Tomas follows her. The doors slam shut behind him. He finds himself at odds with the new apparatchiks. Soon he is thrown out of his job and out of his city to carry the grim harvest of his dissidence into rural oblivion. But here his greatest burdens hitherto, his conscience and his wife, slowly become his greatest allies in happiness.

American writer-director Philip Kaufman of *The Right Stuff* is the film maker who has grabbed this unlikely best seller in order to turn it into a wildly unlikely Hollywood film. *The Unbearable Lightness Of Being* lasts all but three hours, is photographed with bleak grace by Sven Nykvist (Bergman's cameraman) and is acted by an almost wholly foreign-language cast speaking Czech-accented English. Sole natural-born Anglophones are Daniel Day Lewis as Tomas and Donald Moffatt as his Prague hospital boss: and they too speak with accents.

When Hollywood attempts the impossible, one longs to cheer it on. But for much of its length, this movie is bludgeoningly prosaic and simpleminded. Deciding that the shortest distance between two points is a straight line – always a cardinal mistake in cinema – Kaufman and co-screenwriter Jean-Claude Carrière fillet the book of its story and just stretch that out horizontally. The historical tremors are consigned to a side-dish: a 10-minute black-and-white montage of the Russian invasion (skilfully mixing newsreel film with footage of the actors). And the book's philosophisings are puree'd into spoonfuls and crammed into the mouths of the characters, who look as if they would rather spit them out than speak them. (Who could blame them with lines like "Are you always searching for pleasure or is every woman a new land?") The acting is conscientious if variable. Lena Olin and Derek de Lint cope bravely with the subplot lovers, Franz and Sabina, whose lightweight amour counterpoints Tomas and Teresa's. But this part of the novel is so heavily cut that it should perhaps have been dropped completely. And Daniel Day Lewis, who dazzled us with his chameleon skills in *My Beautiful Laundrette* and *A Room With A View*, gives us here, alas, the proverbial blank Czech. Tomas was something of an empty vessel in the book. But at least we suffered with him as he tried to fill that emptiness: spiritually, ideologically, erotically. Day Lewis's reticent, opaque performance, beset by obscure grins, suggests neither emptiness nor content: rather a bemused actor trying to find his way into a character.

Thank goodness for Juliette Binoche as Teresa. In scene after scene, this young French actress pulls the movie up by its sprocket-holes. Petite, animal-eyed, with skin on her face so translucent you can read her feelings beneath, she gives the movie all the humanising depth missing in its script and direction. In her features you glimpse the fear of losing love, the moment of tragic truth when a country is overrun, the nagging splinters-beneath-the-skin of sexual jealousy.

Kaufman himself, who directs much of the movie like an amateur dramatics workout in a garret (almost every view from a window is a painted backdrop), seems to fall under her liberating spell and to open up the movie's later scenes around her. Once in the country, Tomas and Teresa's unlikely idyll becomes, as in the novel, almost unbearably touching. As the supports to their life fall away – even their dog Karenin – the burdens increase. But at the same time, their lives concentrate into a felt, eternal, stubbornly happy present. Without Mlle Binoche, the movie would have been a ponderous act of obeisance to a Great Modern Novel. With her, it gains – late on but authentic – an echo of the original's tragic voice.

Juliette Binoche and Daniel Day Lewis

★

Single fathers battling to raise motherless children have become a staple of 1980s cinema: nay more, a galloping cliche, as virtually the same relationship is recycled from *Kramer Vs Kramer* to *Author Author* to *The Believers*. Only a week after Martin Sheen in the latter saved his son from a gang of knife-wielding religious nutters, Bernard Hill carries on the white Dad's burden in the British film *Bellman And True*.

A brilliant but failed computer systems engineer (sic), Mr Hill now stalks London like a Graham Greene hero: wearing distressed raincoats and swigging whisky from a half-bottle. When he and his son (Kieran O'Brien) are kidnapped by old gangster chums of Mr Hill, who wish him to crack the computer code to a vital bank file, things look grim. But when he has cracked it, they look even grimmer. For to secure freedom for himself and Junior, he must join the heist itself as "bellman:" that is, chief circuit-fiddler and electrical wizard.

The robbery itself is a desperately over-ambitious one, as I tried to warn the participants from my seat in the stalls. But that is the least of director Richard Loncraine's problems. Hardly less difficult than robbing a high-security Heathrow bank is distilling what began life as a project for a TV series into a two-hour film for the large screen.

One result is photography that looks like Brown Windsor soup seen through a hailstorm. Another is much arhythmia in the film's structure. The early kidnap and character development scenes are at once fragmented and sprawling, and the movie only swings into settled speed in the well-staged bank job and violent aftermath. Here action-thriller brinkmanship – or Brinks-Matship, since the film's robbery was inspired by that famous heist – combines with smartly cynical dialogue to produce a thumping British crime yarn.

★

Bernadette, however, is beyond hope. This is the story of the eventually canonised French girl who saw a vision of the Holy Virgin in a grotto and then discovered that the grotto's waters wrought miracles. The town she lived in was called Lourdes, and the rest is history.

Saint Bernadette is this French film from veteran director Jean Delannoy (of *La Symphonie Pastorale*), is played by a young American actress Sydney Penny. Her attractive, nubile features suggest that Bernadette in her teens was a dead ringer for Brooke Shields: an interesting but not entirely convincing perspective on the saint.

But it is about the only interesting perspective on offer. Elsewhere the film drifts insipidly through its A to Z account of the young lady's life, moving its characters around – priests, peasants, petit bourgeoisie and small-town politicos – with all the animation of a somnambulist playing Cluedo. The only consolations are some picture-pretty scenery and a shaft or two of satire

Much Ado About Nothing/Stratford-upon-Avon

Martin Hoyle

With a chic art deco look to the side rows of seats that now sweep down to the stage, the Royal Shakespeare Company's main Stratford house opens its season with a confirmation that, after her Molière at the National, whatever her good deeds in other spheres, the director Di Trevis should never be allowed within a five-mile radius of comedy.

Chief sin in this exasperating three hours of missed chances is the waste of what should be perfect casting. Maggie Steed is an intelligent actress whose range, from television's *The History Man* to Steven Berkoff's Belgrano satire and the full-blooded *Women Beware Women* at the Royal Court, displays desolate heartbreak, wit and sensuality – the ideal and rarely found combination for Beatrice. In this production she has to get her laughs from funny walks, funny hats and hiding in a pond.

In the outburst of grief after her slandered cousin's rejection, Miss Steed fills the theatre with raw passion; and there are signs that, when the lumpen direction can drag itself away from stale gags and corny whimsy, it can generate some tension. Such moments are rare, but they include the confrontation of the outraged father (Antony Brown) with his daughter's accusers, David Lyon's authoritative prince and Claudio, not the usual shallow boy but, in Ralph Fiennes' playing, a creature of some depth and complexity.

The performance begins with a striking picture of sunbathers on a white terrace. The period is post-war: the women have Evita hairstyles, as in Lloyd Webber, and the full skirts of the New Look. The men, more stylised

Clive Merrison as Benedick

(shades of Erté), sport tight-waisted mess jackets and baggy-hipped trousers. Mark Thompson's set backs the circular atrium with walls and white curtains, which reveal a Byzantine altar, or the black slab of Hero's tomb. The throb of a helicopter announces the princely arrival and, incidentally, the last moment of excitement in an interminable evening.

Apart from the updating, the production has no overall point of view. The actors suffer, chief among them Clive Merrison as Benedick. Scrawny, balding and bearded, he frequently looks embarrassed by the capers wished on him. At his exclamation of "I will be horribly in love with her" he musters a certain clownish élan, the dash of an Everett (Kenny, not Rupert). But this persuasive, excellently spoken actor is patently miscast, a gnomic little victim of a director who, as is becoming clear, painfully lacks a sense of humour.

The slight promise Julia Ford showed in the National Theatre's frightful *School for Wives* has evaporated. She projects neither words, character, nor personality as Hero. The Borachio and Conrad are listless, lifeless villains; and, despite David Waller's red nose, the town watch in their knee-length overalls and varied headgear are the most pulverisingly unfunny I have seen. Dominic Muldowney's dirge-like music at the tomb is a miscalculation after nearly three hours, slowing down the proceedings after what already seems an eternity. And why include such unnecessary passages as the leaden badinage between Benedick and Margaret? There is little point in a comparatively full text, when production and acting are inadequate.

String quartets at Portsmouth

Max Loppert

The City of Portsmouth inaugurated its triennial international string quartet competition in 1979 under the inspiration and guidance of Yehudi Menuhin. The fourth event was held last week and completed last weekend. Even a visit of only two days at the closing stages seemed to demonstrate that this must be reckoned to be the world's most important string quartet competition.

There were 24 entrant groups – an extraordinarily high number – from as far afield as New Zealand, Australia, and mainland China, as well as the US and and various East European countries. Standards were no less high, as everyone seemed to agree, and they were matched by the distinction of the jury (chaired by Menuhin, and numbering such notable figures from the chamber music world as Sidney Griller, Walter Levin, Milan Skampa, Hatto Beyerle, Thomas Brandis and Piero Farulli) and the smoothness-tempered-by-friendliness of the organisation.

The audience at all the stages was sizable, keen and characterised by that knowledgeable seriousness that distinguishes attendance at chamber music concerts.

The prize money is far from being the world's most substantial – the first of five is worth £6,500 (City of Portsmouth Prize), the second (IBM Prize) £3,750 – but concert engagements at varying levels of prestige go with all the main awards. (Among the first prize rewards was Wednesday's Wigmore Hall recital, sponsored by the John S Cohen Foundation.)

The bad news nosing over the horizon is the possibility that Portsmouth may be on the point of stubbing out all the initiative, imagination and hard work shown since 1979.

The City Council has failed to keep funding of the competition abreast of the pace of inflation. Rumour has it that in 1991 the competition could well be transplanted to London. This would be a mad mistake – and, worse, a terrible, heedless, self-inflicted wound to Portsmouth's newly-acquired reputation for artistic enlightenment.

Competitions are for horses, Bartok is supposed to have said. My own ingrained doubts about the value of musical competitions, which was last year wholly reinforced by unhappy experience on the jury of the Reggio Emilia quartet competition (on which I reported on this page), were not entirely soothed even here. For the differences between the winning quartet group, the Vanbrugh from England, and the runner-up, the Ysaye from France, were not of executive skills but of temperament and style – and were so marked that the jury's final decision between them must have been agonisingly hard.

I first heard the Vanbrugh last year, in the first stage of the previously mentioned Reggio Emilia competition; since then, they have matured as an ensemble quite remarkably, and now present an impressively full array of solid professional virtues.

Their choice of Beethoven work – Op 59 no 2 – for the finals showed their skills in a happy light; but it also showed their passing failure (if that's not too strong a word) to seize upon details (of figuration or score-marking) for dramatic purpose.

Those characteristic Beethovenian moments of new vistas opening up and corner-turning were always slightly, but notably, underplayed – this was, however, much less the case at the Wigmore Hall on Wednesday, where the acoustics are sympathetic and the Vanbrugh sonority bloomed, than in the dry Portsmouth Guildhall last Sunday. The Vanbrugh's basic material is of high quality; what it now needs is sparkle, daring, new resources of energy and imagination in its expansion

The Ysaye Quartet played the First Rasumovsky (Op 59 no 1) in the Portsmouth finals. The degree of Ysaye showmanship that was displayed in this performance made for a sharp contrast: phrasing was juicily lyrical, interplay between voices was keenly dramatised, individual passages (such as the D flat episode in the *Adagio molto e mesto*) were dug into and drawn out with relish.

The "salesmanship" was altogether overdone, and ultimately self-defeating, yet all the same the Ysaye's Beethoven communicated itself in the way the Vanbrugh's had slightly failed to. (*The Audience Prize of £500*, voted after the finals, went to the young Frenchmen.) I would have reversed the order of the first two prizes, or shared them equally. Time will, of course, tell how wise and far-seeing the judgment of the 1988 Portsmouth jury has been.

Of the other groups and performances I heard, the young quartet (all the players still teenagers) from the Shanghai Conservatory of Music made a particularly striking impact. They won fourth prize, which was undeserved – on current achievement alone they should probably not even have reached the finals, for their comprehension of large-scale musical forms is still limited.

One of the marks of Portsmouth enlightenment was the commissioning of a "setwork" for the semifinals: Michael Berkeley's Quartet Study, an extremely well-made eight-minute stretch of technical hurdles built into a powerfully argued piece of quartet discourse. Of all the performances of it that I heard, that by the Hochschild (GDR) stood out – rather dry in its approach (like the Hochschild's Brahms A minor), but alert to structural properties and skilled at building the whole work.

Orphée/Seattle Opera

Andrew Porter

Although Gluck was one of the six names blazoned on the proscenium arch of the old Met, his bicentenary year passed unmarked by the new house. America's main tribute was a thoughtful, moving, and beautiful presentation of *Orphée* by the Seattle Opera. There were alternate protagonists (not in the same performance), and between them they compassed the role. Gran Wilson was the more poetic actor, but slightly twangy of tone. Vinson Cole's tenor was pure, rounded, and moving.

Stephen Wadsworth, the producer, gave us a modern Orpheus: mourning, after the funeral, in his village apartment; summoned by Amour, who descended in a Baroque machine, to pass through Hades and into the Elysian Fields, then back to the modern world. The moves into myth or metaphor seemed natural. The stage pictures (designed by Thomas Lynch) were powerful and beautiful. Elysium was a radiant vision of some 250 people in a calm tableau: chorus, dancers, and supers, in which whole Seattle families – four Barretts, Kelleys, Krynickis, six Asmanss – took part.

Mark Morris and Wadsworth conspired in choreography that flowed with the drama and hit snags only when Gluck's Paris divertissements too keenly compromised the integrity of his Calzabigi's, and Angiolini's original drama. Morris's final sequence – especially his handling of the great chaconne – provided a surprisingly stirring close.

The Eurydice was Sheri Greenawald – intense, poignant, and intelligent; but a shade peaky of tone in music than tells of narcotic surrender to blissful irresponsibility (which Orpheus so painfully challenges). Karen Hall's Amour combined playfulness with authority – alarming emblem of the way in which apparently frivolous and arbitrary Love can change the course of lives. George Manahan conducted with a sure sense of pace pace and progress.

Max Loppert and I vie in paying tribute to Gluck's greatness. I envy him the *Orfeo* and *Orphée* he described on this page, but feel sure that he, too, would have rejoiced in the seriousness, the force, and the loveliness of the Seattle *Orphée*.

1988 Brighton Jazz Festival

This year's Brighton Jazz Festival, the fifth, runs from May 6 to 30 and once again features an international line-up headed, on opening night at the Top Rank Suite, by drummer Art Blakey and his Jazz Messengers.

South African pianist/composer Abdullah Ibrahim (Dollar Brand) and his group Ekaya will play on May 28.

Solo musicians appearing include Katie Webster, Kenny Davern, Bobby Shew,

Chaikovsky/Festival Hall

Andrew Clements

The all-Chaikovsky concert presented under the auspices of the Royal Philharmonic Society at the Festival Hall on Wednesday night was a superior example of a much-abused genre. Itzhak Perlman was the soloist in the Violin Concerto, and Vladimir Ashkenazy conducted the Royal Philharmonic Orchestra in the *Manfred* Symphony.

Mr Perlman was on exemplary form, technically and musically. Scarcely a note was misplaced throughout the concerto – a passing disagreement between soloist and orchestra over the rate at which one passage should accelerate stood out just because it was a unique imprecision – and his chording and passage-work were always sharply chiselled. There was the right balance too between expressive rubato and unsentimental display: it is as easy to treat this concerto uncaringly, as if it really were the hackneyed warhorse it is sometimes considered to be, as it is to over-indulge its lyricism so that the almost classical proportions are disfigured. Perlman here judged it exactly, and he was intelligently supported by Ashkenazy and the RPO, whose contribution, nimble and watchful, appeared to have been given more than the usual cursory concerto-rehearsal attention.

There were moments in the *Manfred* Symphony when ensemble was blurred, yet they too seemed less the product of insufficient preparation than the consequence of Ashkenazy's clearly signalled concern to extract the maximum intensity – of tone as well as of expression – from his players.

ENO operas for 1988-89

Max Loppert

Three important premieres – one of them a company commission from Philip Glass – are included in the list of the seven new productions and 11 revivals that English National Opera will be putting on during its 1988-89 season, which starts on August 26.

The Glass opera, *The Making of the Representative for Planet 8*, is shared with the Houston Opera. Based on a Doris Lessing novel, it has been described by the ENO director of productions, David Pountney, as an "ecological tragedy." Other ENO "firsts" are the British premiere of Aribert Reimann's *Lear*, a modern (1978) German opera already much played across Europe and in the US; and – the inauguration of the company's schedule of house-germinated operas – the world premiere of David Blake's comic opera, *The Plumber's Mate*.

Pountney himself is responsible for three of the new shows – *La Traviata*, with Helen Field, Arthur Davies and Alan Opie; *Christmas Eve*, a festive season introduction to the repertory of a Rimsky-Korsakov rarity, and Verdi's *Falstaff*, with Benjamin Luxon in the title role, an opera not given by the company since Sadler's Wells days. Also returning is *Eugene Onegin* in a new production by Graham Vick with Jonathan Summers and Marie McLaughlin. Another important young English opera-producing talent, Richard Jones, makes his ENO debut producing the new Blake opera.

Revivals include *Carmen*, *Tosca*, *Simon Boccanegra*, the hugely popular *Pearl Fishers*, *The Turn of the Screw* (with Josephine Barstow and Robert Tear), *Don Giovanni* (conducted by Jane Glover), and *The Mastersingers* (with Gwynne Howell and Alberto Remedios). Mark Elder, ENO music director, conducts five stagings (including the new Verdi and Chaikovsky productions), and guest conductors include Yan Pascal Tortelier, Albert Rosen,

Arts Guide

April 15-21

Continued from Page 20

wood or echoes. This exhibition features wooden sculptures by two Japanese artists whose works complement each other: Shigeru Nishina's hollowed-out trees are inspired by nature while Atsuhiko Sekiguchi is influenced by the urban environment and uses processed wood products. The Spiral Building itself is a fine example of modern Tokyo architecture and is worth visiting on a Sunday for the excellent brunch.

Ueno, Tokyo Metropolitan Art Museum. Japan in the 1920s. More than 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mon.

Harajuku, Ota Memorial Museum. A peaceful haven amid the hustle and bustle of one of Tokyo's trendiest districts. This month and next a representative selection of woodblock prints by everyone's favourite Japanese artist, Hokusai. On loan from the Peter Morse collection in the US. Closed Mon.

Art Deco Glass by Rene Lalique, Teien Museum, Meguro. The museum is a former imperial residence and has one of the finest Art Deco interiors in the world. Among its many treasures is a set of doors with relief figures of winged goddesses, created by pouring molten glass into a mold and applying pressure. They were designed and made by the master of Art Deco glass, Rene Lalique (1860-1945), as were a number of other fittings in the house. This special exhibition comprises some 200 other examples of Lalique's work, many of them on loan from collections overseas.

Seibu Yurakucho. Indian Court Costumes from the collections of 18 former princely states. Described by one New York reviewer as "by far the most dazzling, opulent and beautiful show mounted in recent years."

Theatre

LONDON

A Touch of the Poet (Comedy). Vanessa Redgrave and Timothy Dalton in prolix but fascinating O'Neill play set in the aftermath of the European republican upheavals. Dalton is Con Melody, a Byronic wreck pipe-dreaming in the bar, Redgrave his loyal but defeated spouse. A collector's item. (930 2578, CC 839 1438)

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white hot National Theatre revival of Tennessee Williams's play directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (928 2252)

Fashion (Pit). The 1987 RSC Stratford-upon-Avon season, a very good one, has arrived at the Barbican. This new play by Doug Lucie, with a towering performance by Brian Cox, is a satirical tragedy for the late 1980s about the marketing of political ideology. (628 8795, 638 8891)

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as Sir Sydney Cockerell, a museum curator and friend of Shaw (Ray McAnally) and a remarkable abbess (Rosemary Harris). (437 2663; CC 434 3598). Ends April 23

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444). Ends April 30

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City of London comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6565).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London Season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143)

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, CC 379 6233)

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his failings. (221 1211).

Cats (Winter Garden). Still a sell-out, T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are auditions rather than emotions. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670)

The Mystery of Edwin Drood (Kennedy Centre Opera House). The Broadway hit musical based on Dickens' unfinished novel features the music of Rupert Holmes for which the pop composer won a Tony. Ends May 1. (254 3770).

American College Theatre Festival (Terrace). The tempest by the Yale School of Drama and Spring Awakening done by the University of Evansville highlight the 20th anniversary festival. (Ends April 30). (254 3437)

CHICAGO

A Flea in Her Ear (Goodman). Frank Galati stars in his own adaptation of Feydeau's farce reset to Paris in 1985, directed by Michael Maggio. (Ends May 21) (443 3800).

TOKYO

The Wars of the Roses (in English). Tokyo Globe Theatre, Shin-Okubo (343 4751). The English Shakespeare Company opens Tokyo's newest theatre with Michael Bogdanov's lively and inventive production of Shakespeare's English history plays. The theatre was designed by RIBA gold medallist, Arata Isozaki, as a witty pastiche – pink outside and various shades of grey inside – of the Elizabethan original. A bare stage throws the focus onto the actors and onto costumes that range from medieval through Victorian to punk. Barry Stanton's fine Falstaff in Henry IV is an excellent foil to Michael Pennington's angular Prince Hal. Six plays in repertory.

Hanshin (Theatre Apple, Shinjuku) A recent survey indicated that Yume no Yuminsha is the most popular theatre group among today's young generation. Hideki Noda's productions are complex fantasies with a strong vein of surrealist humour, rather as if Monty Python were invited to attend a traditional Japanese street festival. Noda himself is a high-energy comic performer of great charm and the entire company is skilled in song, dance and acrobatics. Hanshin (half-god) is about Siamese twins and attempts to separate them, but the plot is less important than the outpouring of visual invention. This is Total Theatre at its most exuberant.

Big River (Aoyama Theatre). Musical version of Huckleberry Finn. Jim is played by Ron Richardson, from the Broadway production, who has learnt Japanese for his role. The songs, however, are sung in English – so Hiroyuki Sanada (Huck) and the rest of the Japanese cast have also faced something of a challenge in preparing for the performances. (797 5678)

Yamato Takeru (Shimbashi Enbujo). This staggeringly successful super-kabuki production by the kabuki theatre's greatest showman, Ichikawa Ennosuke, has already broken all the records that a new show can possibly break in Japan. Its sheer size and spectacle put it in the same category as the most extravagant Broadway musical. The story is based on one of Japan's oldest legends but is less important than the extrovert and highly theatrical bag of tricks that Ennosuke has concocted to make kabuki more appealing to a generation that has grown up on rock music and action movies. Purchase the English programme if you want to follow the twists and turns of the plot. (541 2211).

Saleroom/Susan Moore

Off the library shelf

Despite the outcry from My Lords Norfolk, Northumberland and Perth, the sale of duplicates from the John Rylands University Library of Manchester went ahead at Sotheby's yesterday. When the John Rylands Library, founded in 1888, merged with the university in 1972, a number of early printed books were found to exist in more than one copy.

A selection of 97 were offered for auction (one particularly rare edition was withdrawn) to provide funds for the thorough cataloguing, research and conservation of the library's holdings.

The sale cuts into the collections formed by two of the greatest English bibliophiles, that of the 2nd Earl Spencer (Rylands), described in 1930 as "the finest private collection of books in Europe," and of Professor Richard Copley Christie. It also comes at a time when the Government is encouraging museums and universities to de-accession.

On offer were first or early editions of major Classical and Renaissance texts, approximately half printed by the great Venetian printer, Aldus Manutius. Incunables of this quality rarely come onto the market with such a distinguished provenance and in such numbers.

Bibliophiles responded by spending £1,838,760, well over Sotheby's expectations. Only 1.37 per cent remained unsold.

The London book trade took the cream. Quaritch paid £187,000 (estimate £30,000-£40,000) for Grolier's first edition of "Hypnerotomachia," one of the greatest illustrated books of the Renaissance from the Aldine workshop. The same dealer secured a five-volume edition of Aristotle of 1495-98, the first major Greek prose text printed, for £121,000.

Another first edition Aldine, of Musaeus, went to Maggs at £67,700 against an estimate of only £5,000-£7,000. New York dealer Breuslauer paid three times the estimate, £71,500, for Christie's Aesop, and the same sum secured the Spencer Ammonius, printed in gold. The only disappointment was St Augustine's famous apologia for Christianity, selling below estimate for £49,500.

At Christie's South Kensington, another institutional collection was being refined. The Time Museum of Rockford, Illinois sold some 160 out of its curious 3,000 time-measuring instruments. Top lot was a brass astrolabe made by Adrien Descrolieres at Mantua in 1573 which doubled its estimate by selling for £71,500. A Dutch brass sundial, the acme of 17th century engraving, went for £13,200 (estimate £4,000-£6,000). The sale totalled £375,760, with 92 per cent sold.

Another success was the equinoctial crescent dial that belonged to Napoleon's chief of police (£14,300). One unusual 19th century Chinese lacquer incense timekeeper in the shape of a paddle steamer soared above its estimate of £500-£800 and changed hands at £4,500.

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Problems of buying time

IT LOOKS as though a mischievous poltergeist is the eighth participant in meetings of the Group of Seven. The last full meeting in September 1987 saw the announcement of grand plans for currency management, along with general self-congratulation on the exchange rate stability achieved after the Louvre Accord of February 1987. Just three weeks later came Black Monday, itself followed by the slide of the dollar.

This week's meeting was a relatively chastened affair followed by a suitably anodyne communiqué. Nevertheless, the ministers and governors did renew their commitment to avoiding either a decline or a rise in the dollar, or "excessive fluctuations" in exchange rates.

The poltergeist has been listening. The announcement of a US trade deficit for February of $13.83bn is both an unpleasant surprise and a reminder. It is an unpleasant surprise because it is more than $2½bn above the consensus expectation and the largest deficit for a single month since October's of $17.6bn, the size of the deficit being particularly disturbing in a month normally characterised by relatively low deficits. It is a reminder of the extent to which communiqués from the Group of Seven are incantations as much as statements of intent by those truly in charge of events.

Uncertain projections

The projections for the US current account deficit issued by the IMF just before the meeting were that the deficit of $160bn in 1987 would be reduced to $140bn in 1988 and $130bn in 1989. All such projections are highly uncertain, as the IMF economists would be the first to admit.

Nevertheless, the figures for February remind a world again somewhat complacent that the relatively gloomy forecasts may turn out to be correct. In any case, the path to improvement may be extremely bumpy. The trade deficit in the first two months of 1988, at $26.3bn, is almost exactly as large as that in the corresponding period of 1987. It is only by comparison with the huge deficits recorded from May to October of 1987 that recent figures look modest.

It now appears likely that the US is not going to fall into a recession in 1988. Indeed, the IMF projects GNP growth at 2.5 per cent. With continued growth of domestic demand and the slow build-up of export capacity, the external adjustment is bound to be rather slow. Failing a brutally accelerated adjustment brought about by a collapse in the dollar, the question is on what terms and by whom the deficits will be financed.

Official intervention

In 1987 some 80 per cent of the total finance is thought to have been through official intervention. What has been happening so far in 1988 is at present unknown, but the impression is that intervention has been relatively modest. The reason may be that private investors have been convinced both of the seriousness of the authorities' commitment to exchange rate stability (especially after the brilliant bear squeeze of the New Year) and of the plausibility of sustained adjustment at present exchange rates.

That conviction may not endure. If so, as happened more than once in 1987, pressure on the exchange rate may grow quite quickly. Preservation of exchange rate stability would then require a willingness on the part of the authorities of the creditor countries to engage in substantial intervention. It would also demand a willingness on the part of the US monetary authorities to adjust monetary policy to stabilise the exchange rate.

The case for continuing with the sort of strategy outlined in the Group of Seven communiqué is that for buying time. It is not so much that suitable adjustment is taking place as that the policy avenues for more rapid adjustment are now blocked. What would be required for that is a combination of further offsetting fiscal adjustment in the US and West Germany, sustained stimulus in Japan and, finally, a serious effort to improve the creditworthiness of indebted developing countries.

In the absence of such measures the best strategy is to buy time. But the poltergeist is certainly still around. The authorities will need both luck and determination to achieve even their currently modest ambitions for international economic co-operation.

Impatience with General Noriega

The Reagan Administration's efforts to remove General Manuel Antonio Noriega, Panama's military strongman, have entered a new and potentially dangerous stage.

He has been remarkably adept at surviving an escalating campaign which has involved every device short of military intervention to get rid of him. Since January he has been subjected to a degree of personal vilification by US officials, without precedent for a man formerly valued as a close ally of Washington. A US court has indicted him on drugs charges; trade sanctions and a tough financial embargo have been imposed on Panama's dollar-dependent economy; support was given for an abortive coup and now the 10,000 strong US troop presence in the Canal Zone has been boosted with a threatening array of attack helicopters.

Gen Noriega has managed to hold out despite a near total paralysis of national life caused by a month-long closure of the banks and a general strike called by the business-led opposition movement.

Military support

He has been able to do this because he still commands the support of the Defence Forces, who are the only ones with the guns, and because the opposition have never been prepared to put their own lives at risk. Indeed, the opposition has all along relied upon the US to do the job.

There is enough evidence to suggest that Gen Noriega recognises his position is untenable. In dispute is the form of his departure. Here the Reagan Administration has unwisely conducted a spoiling operation in the expectation of Gen Noriega's speedy departure without considering the future role of the Defence Forces. The latter have been the central institutional power in Panama. They have backed their leader because they fear not only dismemberment but that the US will use the current crisis as an excuse to exercise greater long-term control over the Canal beyond the 1999 expiry date of the Carter-Torrijos Treaty.

Washington has done nothing to allay either of these fears. They are kept alive by President Reagan's record before taking office of opposition to the Canal Treaty and by ambiguous US attitudes towards the future of the Defence Forces.

Gradualist plan

More than three weeks ago a reconstruction of the Defence Forces was begun which included the promotion of officers acceptable to the US. This was part of a gradualist plan for Gen Noriega to step down with a negotiated place of exile. This scheme is still on the table but involves the US finessing drugs charges against the general. It also requires a cosmetic formula to avoid the US having been seen to abuse Panamanian sovereignty by being openly responsible for his replacement.

However, the US has gambled on a quick solution and the longer Gen Noriega manages to hang on the more Washington's impotence is exposed. This, in turn, further frustrates the hawks in the Administration, in this case principally in the State Department which has orchestrated the anti-Noriega exercise.

Both sides have so far been scrupulous in avoiding a military showdown. In a US election year a military entanglement in Panama entails enormous political risks for the Reagan Administration. Just as important, it would not only prejudice the immediate operation of the Canal but affect the whole future status of this vital waterway and the use of the American bases there. Nevertheless the first military incident has been reported this week and with Panamanian and US troops in such close proximity there are dangers of matters getting out of hand.

Pragmatism must prevail, which means that the US should resist a natural sense of frustration and allow Gen Noriega a negotiated exit. This may not be the public relations triumph the White House would like. But it will preserve far better the long-term interests of the US and allow a semblance of sovereignty to Latin America's least sovereign nation.

Anatole Kaletsky examines how far Michael Dukakis can take credit for the 'Massachusetts Miracle'

A showdown with the sceptics

BY THIS TIME next week, Governor Michael Dukakis may well have clinched the Democratic nomination for the US presidency. Like Governors Ronald Reagan and Jimmy Carter before him, Mr Dukakis will be a relatively obscure local politician aspiring to national leadership on the basis of accomplishments in his home state.

But unlike the other two outsiders, who managed to sweep incumbent parties out of Washington in 1976 and 1980, Mr Dukakis is emphasising concrete achievements rather than personal qualities.

Mr Dukakis claims to have a proven record of managerial competence, in contrast to the complacent inertia of the Reagan Administration's waning years. He hopes to get his message across in one powerful slogan: the "Massachusetts Miracle". And if anything can get him to the White House it will be the remarkable prosperity of his home state.

In terms of both personal affluence and the absence of serious poverty, the Boston area is probably the closest thing to Switzerland in the US. The streets are clean, the public transport system works, red-brick colonial halls and mansions snuggle comfortably alongside towering bank headquarters and there are almost no beggars.

But far more important than the city's attractive appearance is the objective reality of full employment. The unemployment rate in Massachusetts, at 2.9 per cent, is half the national average and lower than in any other state except adjacent New Hampshire – which owes much of its affluence to its bigger neighbour.

Earnings since 1982 have risen much faster than in the US as a whole. The state's per capita personal income is the fourth highest, after Alaska and the New York dormitory regions of Connecticut and New Jersey.

But what makes the Massachusetts story sound miraculous is as much its grim beginning as its happy ending. When Mr Dukakis first came to office, in 1975, the state's economy – developed around textiles, footwear, metal-working and shipbuilding – was in collapse. The jobless rate had more than doubled in four years to 11.2 per cent, a third above the national rate of 8.5 per cent and easily the highest among the 10 main industrial states. Welfare spending was running out of control and the Governor's first budget revealed a deficit of $550m.

This was the biggest US state deficit in recorded fiscal history. It triggered the immediate collapse of Massachusetts' credit and required a federal government bail-out to avert a bond default. These crippling deficits came in a state which had for years been nicknamed "Taxachusetts," labouring as it did under one of the heaviest personal tax burdens in the country. The label reflected a despair among the residents which was as damning as any of the economic indicators.

In the elegant, cosmopolitan Boston of today, where average house prices have risen even above New York levels, it is hard to imagine the appalling image Massachusetts had of itself. In 1972, the Bank of Boston published a pamphlet called Look Out, Massachusetts! Its cover showed a map of the state sinking beneath the sea. Inside, an abundance of charts and tables seemed to support this prediction. By the time Mr Dukakis came to power, every indicator had deteriorated further. As the author, Mr James Howell, Bank of Boston's chief economist, confirms: "There was almost nobody in the state who believed the economy would come back, even as recently as 1977."

How much credit can Mr Dukakis claim for the unexpected and spectacular recovery? On this question, economists and businessmen in Massachusetts are virtually unanimous. Mr Dukakis had very little to do with the turnaround since it is clear, at least in retrospect, that the economy was already poised for recovery by the time he arrived at the State House. Yet it is glib to dismiss, as the US media have generally done, the more sophisticated claims made by Dukakis supporters.

The issue should not be whether he waved a wand and performed a miracle, but whether his policies helped to sustain, stabilise and extend the state's recovery. And can any lessons be transferred from his experience of state government to the US economy as a whole?

In Massachusetts, the consensus is sceptical, even on the broader issues. That is because high-technology manufacturing has been at the heart of the state's economic revival. Research-based industries accounted directly for 84 per cent of the increase in manufacturing employment and 21 per cent of the 370,000 jobs created between 1975 and 1980. They were also responsible indirectly for a high proportion of the additional 250,000 service jobs because of the importance of computer services, research and other high-tech, non-manufacturing businesses.

This high-tech growth is held to be impossible to reproduce elsewhere because of three unique features of the Massachusetts business landscape:

- The Boston area enjoys the world's richest endowment of engineers and scientists because of the Massachusetts Institute of Technology and a dozen other universities, including Harvard.
- Entrepreneurship has long been a tradition of Massachusetts technologists and academic institutions, since the foundation of MIT and the creation of Bell Telephone. From the celebrated cluster of small businesses along Boston's ring road, Route 128, companies have sprouted as scientists leave one to found another.
- Abundant venture capital has been available from investors with a deep knowledge of high-tech businesses. The lending policies of large local banks are geared to technological risk.

But these arguments would have been valid in the 1950s and 1960s. They do not explain why the Massachusetts economy deteriorated so badly in the early 1970s or why it recovered so spectacularly by the end of the decade.

Mr Dukakis has undergone a 'Saul to Paul conversion'

The state's economic prospects were transformed in the late 1970s by two developments. First there was the gradual expansion of US defence spending after its post-Vietnam nadir in 1975. Because of its high-technology orientation, Massachusetts receives a high proportion of its income – about 7 per cent of gross state product – from defence spending, although it is less dependent on the Pentagon than a handful of other states, including California. Between 1977 and 1984, the value of military contracts placed in Massachusetts grew by about 60 per cent to $7.2bn, accounting directly for a tenth of the state's economic expansion.

The irony of this military dependence has not been lost on liberal politicians, including Mr Dukakis. How well the state could cope with sharp military cuts would depend on the strength and durability of the other main force behind the recovery: the mini-computer revolution. The development of cheap semiconductor chips in California in the mid-1970s did more to transform the Massachusetts economy than any other factor. The strength of the mini-computer industry – using the chips as a sophisticated raw material – helped the state's high-technology employment to grow much faster than overall employment in the technology sectors of the US economy.

Boston's financial services have grown at about the same rate as the nation's financial sector. As Mr David Lampe, assistant director of MIT's office of industrial development and editor of a forthcoming book* on the Massachusetts Miracle, observes: "The real driving force behind the miracle was not just high-technology, but one particular technology – the mini-computer. This was created in our backyard when Ken Olsen left MIT to start Digital Equipment. We've always had high technology, but in the late 1970s this product suddenly became incredibly cheap and found a virtually unlimited marketplace."

Digital, which started as a tiny enterprise in the 1950s working almost exclusively for the Defence Department, has become the world's second largest computer company. Along with other local mini-computer concerns – including Wang, Data General, Prime and Apollo Computers – Digital accounted for a large part of the state's high-tech growth.

Since 1984, however, the mini-computer industry has suffered setbacks – even Digital has just reported an 11 per cent drop in third quarter pre-tax earnings. In the last three years, Massachusetts has started losing manufacturing jobs at a disquieting rate of nearly 3 per cent annually. So far, the losses have been more than offset by big gains in the finance, trade and construction sectors. And state government policies can probably take some credit for the extension of the success story beyond its initial high-tech phase.

In the last 10 years, Massachusetts' government has become a "national leader in creating new roles for states to play in economic policy," according to Mr Ronald Ferguson of Harvard's Kennedy School of Government. Most of these policies, involving public training initiatives and state-backed financing institutions have been only marginally significant, but two types of action seem to have had a bigger effect.

According to Mr Harry Foden, chief economist at Arthur D. Little, the large high-tech research and consulting firm, aggressive regional policies, operating less through financial incentives than through infrastructure projects and development controls, have pushed some jobs away from the over-populated suburbs along Route 128 and into formerly decaying industrial cities.

Mr Dukakis argues that these measures have limited inflationary pressures in Massachusetts. At the national level, he says that genuine full employment could be restored "without the threat of inflation if we could get the jobs to places where they are needed."

More generally, he has managed to perform a tricky balancing act between creating a "favourable business environment," as demanded by corporate lobbyists, and improving the "quality of life," in accordance with the wishes of the politically liberal electorate.

Thus, taxes as a proportion of personal income are now well below the US average. Today, 70 per cent of the members of the Massachusetts High Technology Council report that the state is a "good or excellent place to do business." Ten years ago, according to the council's chairman, Mr Steve Levy, "70 per cent would have said it was a bad place to operate".

Admittedly, some businessmen balk at giving Mr Dukakis credit for these improvements. Until 1978, when he was ousted by a right-wing Democratic challenger, Mr Dukakis was seen as arrogant and hostile to business interests.

However, when he was re-elected in 1982, Mr Dukakis had undergone what Mr Howell, of Bank of Boston, describes as a "Saul to Paul conversion." Although he has continued to seek new taxes and oppose big cuts in government spending, he has become "a listener, a negotiator, a supporter of partnership with business," according to Mr John Magee, chairman of Arthur D. Little.

The Governor's consensus-building efforts range from bargaining on hazardous waste legislation to setting up government, business, academic and labour commissions on the long-term future of the state's technologies. Groups like this may never identify the innovation needed to replace mini-computers in the state's economy, but Mr Dukakis believes that the experience could provide a model for a President tackling such intractable national problems as the federal budget deficit.

"You communicate and you try to work with the business community in a constructive way to help them understand that this is the direction in which you want the country to move," is how he characterises his approach to economic policy. According to some of his advisers, this attitude could even represent a first step towards a Japanese-style response to international trading challenges, through co-ordinated competition in a free market framework.

Whether the US electorate, with its traditional scepticism for government interference with free enterprise, would be interested in such corporatist solutions to the nation's problems is, of course, uncertain. But if Mr Dukakis is nominated, his economic record may, at least, have the virtue of provoking some serious thought and debate.

**The Massachusetts Miracle, edited by David Lampe, MIT Press, May 1988*

OBSERVER

Hardly Elisir d'Amore

■The fans at Milan's La Scala opera house can be rough on performers, but rarely have they been quite as rowdy as at Wednesday night's ill-starred debut of Donizetti's Elisir d'Amore. They whistled and shouted at the stage, only just stopping short of hurling rotten tomatoes.

The problems started when it was announced that Luciano Pavarotti would miss the curtain because of a severe case of laryngitis. Sceptics suggested that it was not so much a case of Pavarotti having a sore throat as being sore at the conductor, Giuseppe Patane; rumours of a rift between them had been heard before Pavarotti withdrew. But a spokesman for the Scala insisted last night that they had "only a slight divergence of opinion" and that Pavarotti was truly ill.

With the top star absent, the crowd was already in a foul mood. And when the rendering of Donizetti failed to please, the abuse began. Disturbances from the gods persisted through much of the performance. Welsh-born singer Marie McLaughlin was told "You're an amateur," while Andrée Ruth Shammah, making her directing début, was called a "buffoon".

Other criticisms came in the form of shouts that "it stinks" and the sarcastic question: "Which political party appointed this director?" Many administrative jobs at La Scala are divided between the Socialists and the Communists.

Bull for BTR

■It looks like musical chairs at British Telecom and BTR. It was announced last month that Barry Romerill, the BTR finance director, was leaving to take up a similar post at Telecom. Yesterday came the news that he is being succeeded at BTR by Christopher Bull. Since 1984 Bull has been Telecom's corporate treasurer and acting finance director.

"It's a coincidence," said Bull, "rather than a straight swap." In fact, he was head-hunted.

Bull adds that he realised that he was not going to get the new post of group finance director at Telecom once Romerill was named for the job, but he had already been looking around for something else.

In what sounds like a strange comment on Britain's premier telephone company, he also says that he wanted to work in a business that was closer to its markets. Apparently BTR fits the bill. Telecom is tightly controlled from the centre, according to Bull.

Not so dirty Den

■It is two years since Millwall Football Club was on the verge of winding up and and more than 60 years since Aston Villa inflicted the team's heaviest defeat (9-1). Now, for the first time in their history, they are at the threshold of the first division.

Chairman Reg Burr, who rescued the club from the threat of extinction, believes the Scottish presbyterian engineers who formed the club on the Isle of Dogs in 1885 would be proud of the achievement.

Millwall is something of a misnomer since the Lions (after the Scottish lion) moved their Den to Cold Blow Lane, Lewisham nearly 70 years ago.

They are the only London club never to have played in the First Division, but with a point lead at the top and four more games to go there is an air of confidence.

The idea of linking Millwall's success to the rise of docklands yuppiedom, as some have done, is ridiculous, given the club's siting on the south of the river and their traditional home-grown support.

The supporters, who have had a reputation for hooliganism in recent years, are drawn from an area which is distinctly partisan in its outlook. "There is a Dunkirk spirit in the area, almost like Millwall against the rest of the world and I think we have to get away from that if we can," said Burr. Loyalty extends to the players, only one of whom was not born or brought up in south-east London.

Burr is the man who brought comedian Eric Morecambe to Luton during his time as director there. He has plans for executive boxes and an increased ground capacity from about 19,000 to 25,000. The interest is so lively at present that the next match against Bournemouth is to be shown on three large television screens at the Den. Millwall take 2,500 to 3,000 fans away with them, but they can sometimes get out of hand. The screens are designed to keep more of them at home.

We are still backing Middlesbrough for the championship.

Breakfast salmon

■As one City elder remarked: "It takes a real King to get us going." And the banquet given by the Corporation of the City of London for King Olav V of Norway on Wednesday showed the Guildhall at its best.

The King, now 84, surveyed the history of Anglo-Norwegian relations, including the fish trade. "There is a limit to fashion," he said, "also in fish, and I can hardly imagine smoked salmon in Britain replacing kippers for breakfast, no matter how far ahead one looks." We're not so sure about that.

Fowler's hosts

■Eric Hammond's EETPU electricians' union is by far the most unpopular in the TUC among leaders of its brother unions. Under attack for continuing to sign single-union, strike-free deals with employers, it is still on the brink of suspension because of its role in the News International Wapping dispute.

There is no sign of it trying to calm matters down. Next week the EETPU is host to Norman Fowler, the Employment Secretary and the man guiding through parliament the latest round of the Government's employment legislation, to which the unions are very much opposed.

Fowler will launch the second phase of the union's interactive video disc training programme, used by the EETPU at its high-tech training college in a country mansion at Cudham in Kent. He will join forces with Hammond to sing the praises of the electricians' union.

The union previously hosted Norman Tebbit when he was Employment Secretary and indeed it was he who officially opened the robotics section at the Cudham centre.

David Steel, alas

■A senior Social and Liberal Democrat was asked whom he intended to vote for in the coming party leadership election. "David Steel," he said. "But I hope he doesn't stand."

Andrew Whitley reports from Shilo, on the Israeli-occupied West Bank

Fervent settlers who feel their views will win

ISRAEL'S Government is making a determined effort to appease Jewish settlers in the occupied territories, in uproar over the death last week of a girl from the ultra-nationalist settlement of Elon Moreh.

Even though an army report is putting the blame for 15-year-old Tirza Porat's death on one of her armed escorts, concern that the 70,000 settlers might go on the rampage has prompted unusually harsh reprisals against the small Arab village of Beita, where the incident took place. Last weekend, 14 houses in the village were blown up; official reprisals are normally limited to the demolition of two or three houses. Deportation orders were served on six of Beita's residents.

Settler leaders are picketing the Jerusalem residence of Mr Yitzhak Shamir, the Prime Minister, who sympathises with their cause. They are demanding the right to use their guns to shoot Arab stone-throwers on sight. They also want the Government to go further than it did on Monday, when eight alleged leaders of the Palestinian uprising were expelled to Lebanon, and to include prominent Palestinian moderates such as Mr Hanna Siniora, editor of the newspaper, Al Fajr.

To rub home the point of whose land the settlers say this is, next week – when, according to the Jewish calendar, Israel marks its 40th anniversary – the Gush Emunim movement is planning a mass walk along the valley near Beita. (Gush Emunim, "Bloc of the Faithful", is the militant settlers' lobbying arm; its members, many fervently religious, comprise the great bulk of the 70,000 Israeli settlers in the occupied territories.) The walk planned next week will complete the route being taken by the Elon Moreh teenagers when they were attacked by stones.

In incidents which followed Tirza Porat's death, two Arab youths were shot dead by a settler and another died a few hours later at the hands of the Israeli army. Not for the first time in Israel's recent history, the tail, in the shape of the militant settlement movement, has shown its ability to wag the dog. "We are a tremendous political force. It gives us comfort that we are something to be reckoned with," boasts Mr Israel Medad, a resident of this 10-year-old religious community on the hilltop site of an ancient Jewish tribal capital.

"Without the settlers, in the face of all the pressure Israel has had to contend with – the Shultz initiative and so on – the country would have collapsed long ago," he says. Mr Medad, a 40-year-old American immigrant, is a member of the Council of Jewish Communities in Judea, Samaria (the biblical names for the West Bank) and Gaza, and his views are typical of those expressed in Shilo.

No one there has any doubts that deeply ingrained Arab hostility to Jews and the state of Israel has lessened not a whit in recent years, whatever others may say, and that the ultimate goal of the Arabs remains to drive the Jews into the sea.

"I don't believe the Arabs have lessened their hate for us. They have blood in their mouths. They are a people full of hate," says Mr Moshe Kessler, a retired barrister from New York state, now growing trees on the stony hillside. A rumbling volcano of a man with earthy, trenchant opinions, Mr Kessler

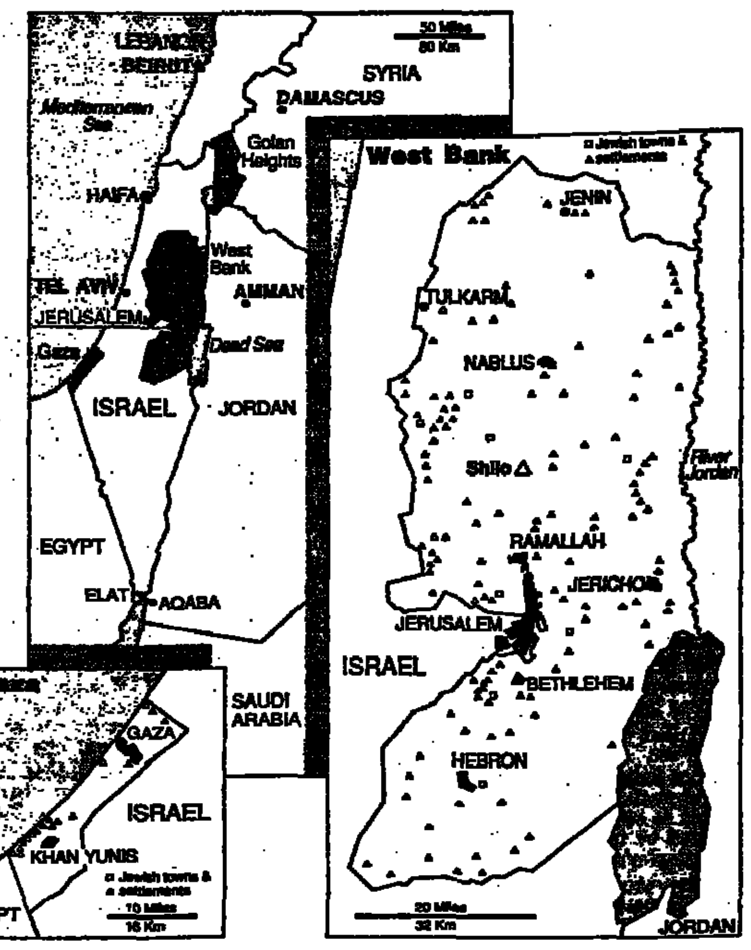
Settler leaders are demanding the right to shoot stone-throwing Arabs on sight.

is scornful of what he regards as the Shamir Government's weak-kneed handling of the uprising. "You don't pick up a rock and throw it at a cop in New York. Otherwise," he says, sighting along an imaginary revolver, "you drop down dead."

Arguing that Israel needs "real leaders" like the Trade and Industry Minister Ariel Sharon, a former Defence Minister waiting in the wings, this Shilo resident blamed the Government's equivocation on its excessive concern for world opinion.

In common with his neighbours, Mr Kessler does admit that after a disastrously timid start, the army has begun to get to grips with the situation over the past few weeks. "It's no longer always looking over its shoulder to satisfy the goy (non-Jew)," he says.

Security for the settlers along their access road to the main highway has improved noticeably, they say, following the death of a local Arab boy during a violent clash with troops.



In fact, life in Shilo – unusual among the settlements in that it has no barbed-wire perimeter fence or permanently guarded entrance gate – has been relatively little changed over the past four months. Contact with local Arabs has virtually halted, and some of the women are taking weapons training, but during the recent Passover holidays families strolled across the flower-filled hills, the bloody events in Beita and elsewhere notwithstanding.

Anxiety only really begins to rise when they venture along the main roads, where their cars and buses have to pass several Arab villages and refugee camps on the way to work or school in Jerusalem and Tel Aviv. Jerusalem is 45 minutes away and, at times, the settlers' distinctive yellow number plates have had to run a gauntlet of stones and fire-bombs. To protect Israeli traffic now, the army often provides either an escorting jeep or an on-board armed soldier.

Mrs Rivka Morantz, her head demurely covered in a scarf, arms and ankles concealed under a long blue dress, watches Jordanian television broadcasts from across the border, 20 miles to the east. She cites the nightly weather forecast from the state-run television station as "a perfect example" of Arab unwillingness to accept Israel's existence. The green-coloured map shows the expected weather from the Mediterranean across to Jordan's eastern border, as if the entire region were one state.

In 1970 the 15-year-old English schoolgirl, then Rivka Taylor, emigrated with her family from Stamford Hill, London. After marrying a native-born Israeli, Mr Haim Morantz, one of the founders of Shilo, she moved with him into the fledgling settlement – set up under the cover of being an archaeological dig so as to overcome government hesitation.

The fact that she and many other Shilo residents continue to watch TV broadcasts from a hostile Arab state, in preference to those put out by Israel, epitomises the alienation most of the Jewish settlers appear to feel from the mainstream of Israeli society. The Israeli media are perceived as solidly hostile to the settlers. Israeli coverage of the unrest – mild by western standards – has only deepened the mistrust and dislike the settlers display for all journalists.

According to the rumbustious tree-farmer, TV cameras and reporters should have been barred from the occupied territories from the outset. Using an argument heard in every crisis spot, he insists that the presence of the media aggravates the situation.

There is ill-concealed satisfaction in Shilo that the unrest has spread to Arab-majority districts in Israel proper, behind the pre-1967 Green Line, because this can be used to justify to fellow Israelis the settlers' contention that they are all part of one battle. It is not just a fight for Jews to live in Arab Hebron – in the West Bank – but for Haifa and Jaffa, on the coast.

Calling the minor disturbances so far among Israeli Arabs "a trump card in our favour," Mr Medad argues: "You have to look at the whole picture. The Green Line has disappeared. Instead, there's a 'Blue Line' of the Jordan river or of the Mediterranean. It can only be one or the other (for us)."

The army's crackdown on Beita surprised and pleased the settlers, confident that opinion in Israel is finally swinging in their direction. In the country's forthcoming general election the issue of the territories Israel has held for 21 years is certain to be a central theme, and despite the stand-offishness of most Israelis towards their cause, the settlers are convinced that a large majority will vote to retain the region permanently. The young conscript soldiers serving in the occupied territories – bearing the brunt of much of the unpleasantness – will be voting for the first time, and they are thought to have had their eyes opened by the experience.

What angers the settlers is their feeling that secular Israelis, who constitute a majority of the population, have lost their ideological fervour, in pursuit of consumerism and a "normal" way of life, identical to that of other countries.

A pistol stuck in his belt as he prepares to go out for a few hours of night-time guard duty, Mr Morantz speaks bitterly about lack of support from his fellow countrymen. "The non-religious are losing their patriotism."

Although none of the settlers have yet been brought to trial, seven or eight of the nearly 140 violent Palestinian deaths recorded since December 8 have been attributed to them. It is a number which, in Shilo at least, is considered remarkably low, given all the provocation they feel they have had to endure. "Considering that we are in a state of semi-war, there has been a great deal of restraint on our part," says the council member. "We're not bloodthirsty fanatics, as we are depicted, we do have moral restraints."

Using a Hebrew catchphrase roughly translatable as "We've been at this show before", the settlers see the present violence as only the latest outburst in periodic waves of anti-Jewish unrest in Palestine going back to what historians call the Great Arab Revolt of 1936-38. Stand firm and show the Arabs that the Jews are masters in their own house, and half the problems will disappear, they argue. And if the Arabs don't like it, they can always go to their brethren elsewhere in the Arab world. "They'll adjust after a generation," says Mr Kessler.

As for the prospect of parts of the West Bank and Gaza Strip, including Jewish settlements, being handed back to Jordan, few are yet prepared to face such an eventuality head-on. Even though the principle has been a tenet of the Israeli Labour Party's policy since 1967, and is at the heart of the current US peace initiative, none can conceive of living for long under a Jordanian flag.

While the Morantzes feel that most would, reluctantly, go back across the border, their neighbours the Medads are not so sure. The scenario they foresee is a much more chilling one: "If an Arab uprising has been difficult, think about a Jewish one," says Israel Medad. "Most Israelis would stay. Then, two weeks later, they would rise up again to rejoin Israel. We're not giving up our guns."

Lombard

Bridging the regional divide

By Michael Prowse

"Daddy, I won't live in a deprived area". Ken Matthews had not expected his family to relish his relocation to the south east of England. But his 14-year-old daughter was taking the news particularly badly.

"The south east is not so awful", he reassured her, "we shall be closer to the Channel Tunnel and able to drive more easily to all your favourite European cities. Besides there is lots to do in London. We can visit the Stock Exchange museum - that would be useful for your project on the decline of financial services industries."

"I can get all the information I need on my terminal here in Swaledale", replied Rebecca tartly. "In any case, it's much more fun to use our own jet and fly from one of the modern northern airports. Who wants to use the longest, dirtiest tunnel in the world?".

History had never been Ken's strong point. But he did vaguely recall that the tunnel was generally regarded as the one of the most stupid infrastructure projects ever undertaken. As a white elephant, it was said to rival the "Concorde" – an uneconomic train invented in the 1960s, or so Ken believed. The planners had totally failed to appreciate the impact of airline deregulation in Europe.

"The south east", continued his daughter, "has the lowest Heseltine reading of any region in the UK. It's a full 20 points below the national average. Can't you continue to telecommute from Yorkshire? My teacher says business is best conducted without face-to-face contact: that is the way to minimise interpersonal friction".

The Heseltine "quality of life" index was named after a Conservative prime minister who had briefly held office in the late 1990s. Heseltine had been the first Tory politician fully to comprehend the scale of psychological, social and environmental damage inflicted by the Thatcher growth revolution. Although Mrs Thatcher had resigned in 1991, her policies were pursued even more fervently by her successors, Nigel Lawson and John Moore.

Messrs Lawson and Moore had abolished all planning restrictions in the south east, designating it the world's first "totally free" market. The resulting unregulated boom made greater Tokyo look like a peaceful rural retreat. Heseltine, after more than a decade on the backbenches, successfully wrested the leadership from the neo-libertarians with a series of tub-thumping speeches reminiscent of President Jesse Jackson at his heart-stirring best. "Life", Mr Heseltine used to cry, his white locks flapping, "is more than GNP growth."

The Heseltine green revolution split the Tory Party and caused it to lose the 1999 election. But the first "Democrat" government of the new century, like administrations in most developed countries, was canny enough to recognise that "quality of life" was a concept whose time had come. Hackneyed expressions like "popular capitalism" were quickly consigned to the dustbin of politics. Britain had had its fill of markets and enterprise.

Ken awoke from his reverie to find his daughter still ridiculing the idea of living in Guildford. "It's not just the congestion, the pollution, the crime, and the tiny gardens", she complained, "it's the lack of style: nobody who is anybody would consider living there. Wales or Cornwall would do; even Northern Ireland might be fun – the countryside is beautiful and next year is the 25th anniversary of the Peace Settlement. But Surrey – how can I tell my friends?"

"It will do you good to meet children who are less fortunate than yourself", Ken replied. "Some of the kids in the south east have never seen open moorland, never ridden a horse for that matter, or fished in a real stream. They become cross-eyed from playing video games and watching TV.

"The real problem", he continued, "is that Britain has become two nations. Nowadays, it is only the middle classes who can afford to live in the pleasant parts of the UK. You need money – big money – to insulate yourself from the environmental horrors of the south east. I'd vote for any party that promised to introduce a decent regional policy..."

Letters to the Editor

Understanding pension schemes

From Mr G. H. Redman

Sir, Recent letters in your columns have highlighted once again the problem of understanding the rationale of defined benefit pension schemes in comparison with the apparent ease with which money purchase schemes can be explained.

An employer may decide to establish and sponsor a funded pension scheme in which the benefits are defined according to certain criteria (for example, salary and length of service) at retirement, or on previous death, or leaving service. The transferable value of the benefit on leaving service is then calculated as the value of whatever benefits have been defined on leaving service. To the layman, this is both esoteric and difficult to understand, and it is vital that the concepts involved are clearly laid down and not left to the small print.

Alternatively, the benefit may be defined according to the contributions paid. This sounds simple, but it is just as important that the potential pitfalls are adequately explained.

In the defined benefit case, the ultimate benefits will quite correctly bear no direct relation to the contributions paid, and must not be thought of as representing an employee's deferred pay. The employer has contracted with the members to segregate assets from his business of an amount sufficient to ensure that the benefit promises can be met, but the assets as such are not identifiable with any particular member. If, for example, the employer wishes to augment the benefits for a particular employee or group of employees and the assets of the scheme are sufficient to support the cost without diminishing the security of other members' benefits, then this is a benefit design issue rather than any inequitable redistribution of resources.

In the money purchase case, on the other hand, the ultimate benefits will bear no direct relation to the member's length of service or earnings at the date of leaving. The employer has contracted to pay contributions at a given rate for each member consistent with the deferred pay concept and irrespective of the level of benefits to which those contributions finally give rise.

Neither of these concepts is in principle inequitable, so long as employees clearly understand what they can expect to receive from the scheme, especially in comparison with their own contributions (if any). Confusion and misunderstanding is bound to arise if the employer has not consciously decided on the type of benefit promise he wants the scheme to provide and communicated that decision clearly to all potential scheme members.

Early leavers in particular need to understand how the accumulated contributions compare with the benefits secured. This is true for all types of scheme, whether defined benefit or money purchase. In the latter case, for example, a combination of expense deductions, payments to intermediaries and adverse investment conditions (such as have been only too apparent in recent months) could significantly reduce the value of contributions paid. Indeed, the same could apply when short service employees reach retirement.

Benefit planning and communication with employees has often been inadequate in the past. Let this be a lesson for the future, not only for the sponsors of company pension schemes but also the purveyors of personal pensions.

G. H. Redman,
William M. Mercer Fraser Limited, Actuaries and Consultants,
4 Southampton Place, WC1.

Share option plans retain attractions

From Mr George Copeman

Sir, There are several reasons why the replacement of share option schemes by cash bonus systems, as reported in just two cases by Mr Peter Brown (Letters April 7), is short-sighted.

First, cash bonuses are not the only means of rewarding local unit performance. The exercise of share options on group shares can be, and in some companies is, triggered by local unit performance.

Second, the recent Budget reaffirmed draft legislation to remove difficulties over employee share plans using subsidiary company shares. This would of course be helpful to UK companies with overseas parents, as referred to by Mr Brown.

Third, share plans provide medium-term motivation, in contrast to short-term attitudes usually arising from cash incentives. Both are important.

Fourth, whether share options relate to group listed shares at market price or to subsidiary shares at a p/e formula price, the option holder receives a reward which is typically a multiple of the rate of increase in profits achieved. Capital owners are traditionally rewarded in this way for business achievement. What is sauce for the goose is sauce for the gander.

Finally, from 1991 a married couple will have £10,000 (indexed for inflation) tax-free capital gains. This is an encouragement to belong to a share plan, make the company a success and only sell the shares slowly to minimise the tax liability.

George Copeman
Employee Share Ownership Committee,
Wider Share Ownership Council,
Juxon House,
94 St.Paul's Churchyard, EC4

A voice from the market place

From Mr V. C. Brooks

Sir, I felt I had to answer Mr Fratianni and Sir Alan Waters (April 6), neither of whom "can see any reason at all why Britain should join the EMS (European Monetary System)."

My plastics manufacturing company both buys and sells within the European Community. As we are unsure of the exchange rates when the time comes for settlement, we find ourselves trying to persuade our customers and suppliers to deal in sterling. Buying currency forward is an option but this only adds to costs. As a result we are often placed at a disadvantage.

If Britain joined the EMS we would at least know within limits our liabilities and it would encourage us to offer goods in local currencies. This argument may not impress the professors, but it would certainly help us in the market place.

V. C. Brooks,
Additive Polymers Limited,
Unit C, Jury Lane,
Sidlesham Common,
Chichester, W. Sussex.

Shower power

From Mr D. A. Douglas

Sir, I do not question Mr Neill's mathematics (Letters April 12), but I wonder if he has noticed that the larger umbrellas have the benefit of protecting the user from 80 per cent more rain – as well as providing considerable advertising space.

David Douglas,
2 Copthall Avenue, EC2.

Japanese banks have every incentive to sustain high stock prices

From Dr S. H. Thomas

Sir, Once again we are reminded of the remarkable rise of the Nikkei Average since the October crash (March 30). The extraordinary Japanese price-earnings ratios are explained by appeal to expected corporate profit growth, the weight of domestic Japanese savings and particular rules which guide portfolio investment by Japanese institutions. There is, however, one additional feature which has been overlooked in recent discussion: Japanese banks are allowed to count unrealised gains on their equity investments as capital, and this must provide upward pressure on Japanese equity prices.

In December 1987, the Bank for International Settlements published proposals for international convergence of bank capital measurement and capital standards. In an effort to achieve an agreement, it was decided that unrealised equity gains could be included as a part of banks' capital, apparently against the wishes of the Bank of England, the Federal Reserve Board and the Bundesbank. For Japanese banks, this has the effect of raising the average equity-asset ratios from around 2.5 per cent (with conventionally defined capital) to more than 10 ten per cent. It has been estimated that in the case of Dai Ichi Kangyo Bank the ratio would rise from less than 3 per cent in mid-1987 to 13 per cent, that is a gain of \$70bn of capital. To meet conventional European adequacy standard, that same bank would have to shed nearly \$70bn of assets.

The implications for the Japanese stock market are clear. Falling stock prices erode bank capital; if banks are fully extended in their loans then some asset retrenchment would be necessary. Large falls in share prices must be avoided since eventually even banks which were not fully extended will find capital erosion beginning to bite, and by the familiar gearing ratio mechanism there would have to be an accompanying twenty-fold reduction in assets. Hence Japanese banks have every incentive to sustain high stock prices since the capital created facilitates expansion elsewhere on their balance sheet, rendering the high corporate price-earnings ratios of secondary importance in assessing the return on their equity investments.

S. H. Thomas,
Department of Economics,
The University,
Southampton.

FINANCIAL TIMES

Friday April 15 1988

Nigerian economic policy at risk

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

VIOLENT OPPOSITION to rises in petrol prices in Nigeria threaten to undermine the country's efforts to reschedule its estimated $23bn of external debt.

A 3 per cent increase in prices at the weekend sparked riots in the northern city of Jos in which six people, including two policemen, are reported to have been killed.

The modest fuel price rise was seen as an essential first step towards resolving a stalemate in the Government's efforts to reach an agreement with the International Monetary Fund (IMF) on economic policy.

The violent response, however, would appear to make it impossible for the authorities to impose the substantial increase required by the Fund.

The cost of fuel is a major obstacle to the renewal of a vital agreement between the Government and the IMF – the last agreement lapsed at the beginning of this year.

The Fund insists that the wide gap between domestic and export fuel prices be substantially narrowed. Petrol in Nigeria costs 10 US cents a litre, compared to a dollar or more a litre in neighbouring countries.

The fact that a 3 per cent increase, far short of the 25 per cent or more which has been under consideration, should spark off riots illustrates the sensitivity of the issue.

Transport costs are an important part of household budgets, already strained by high unemployment and the impact of the Government's economic austerity programme.

Trade unions and students have campaigned vigorously against an increase, forcing the Government to hold back on a 25 per cent rise which President Ibrahim Babangida was expected to announce in the 1988 budget speech on New Year's Eve.

At the same time, however, a renewed economic policy agreement with the Fund is central to Nigeria's debt rescheduling efforts and to the Government's attempts to secure new cover from western export credit agencies. Creditors have made an IMF agreement a precondition to rescheduling.

Nigerian radio reported on Wednesday night that the government had imposed a dusk to dawn curfew in Jos, 450 miles north of Lagos.

Yesterday, The Guardian, a leading Lagos newspaper, which said that students were protesting against the fuel price increase, reported that hospitals in Jos were treating hundreds wounded in the riots. No official figures have been released.

The Guardian's correspondent in Jos said two policemen had been beaten to death as they tried to escape from rioting students near the city's university.

The riots represent one of the most serious problems the military government of President Babangida has had to face since it took office in a bloodless coup in August 1985.

The violence indicates not only powerful opposition to fuel increases but is also thought to be exacerbated by high levels of graduate unemployment.

It illustrates the considerable political risks attached to the administration's radical economic recovery programme.

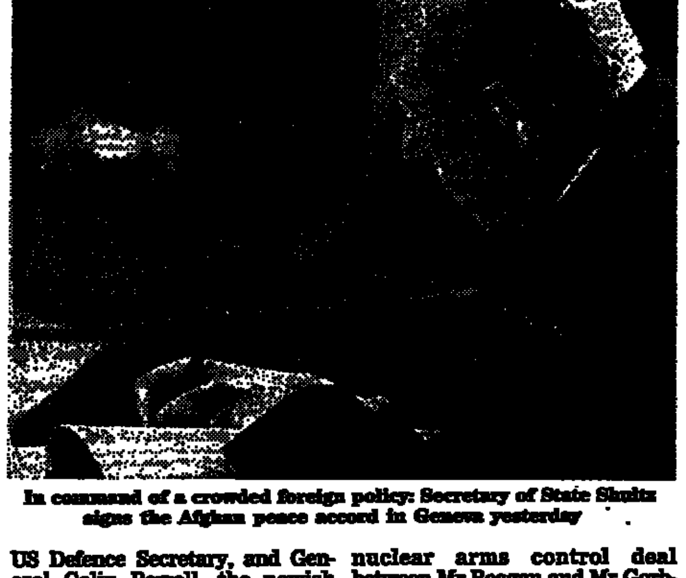
Suddenly, writes Lionel Barber, the US Secretary of State is enjoying a new ascendancy

George Shultz's Indian summer

THESE DAYS, Mr George Shultz has a bounce in his gait and a twinkle in his eye. Rarely during almost six years as US Secretary of State has he so publicly enjoyed his job; but then rarely has he enjoyed such ascendancy in the Reagan Administration.

This is Mr Shultz's Indian summer. Most of his conservative tormentors inside the White House and Pentagon have departed, leaving him in command of a foreign policy agenda which is crowded even by Washington standards.

Yesterday he was in Geneva, signing an accord on the Soviet withdrawal from Afghanistan. Next week, he leaves for another round of talks with his opposite number Mr Eduard Shevardnadze to prepare for the Moscow summit between President Ronald Reagan and the Soviet leader Mr Gorbachev in May. Last week, he was shuttling around Middle East capitals promoting his own regional peace plan.



In command of a crowded foreign policy: Secretary of State Shultz signs the Afghan peace accord in Geneva yesterday

A very different picture of Mr Shultz's power and influence emerged last summer during the Congressional hearings into the Iran-Contra scandal. Here was an experienced public servant (he was Labour Secretary and US Treasury Secretary in the Nixon administrations) constantly undercut by his colleagues, ignored on the key policy initiative of selling arms to Iran in return for hostages, and once labelled by a suspicious conservative opponent as a "candyass."

In Washington's power-games, Mr Shultz chalked up a losing streak which would have made even the current Baltimore Orioles baseball team blush.

Mr Shultz's public confessions of impotence during the hearings were probably no more than a manoeuvre to extend his power within the bureaucracy. Indeed, over the past 15 months, the death of Mr William Casey, the CIA director, the resignation of Mr Caspar Weinberger, US Defence Secretary; and the forced departure of Mr John Poindexter, President Reagan's national security adviser, have helped him consolidate that power.

Regular weekly meetings, whenever possible, now take place between Mr Shultz, Mr Howard Baker, White House chief of staff, Mr Frank Carlucci, US Defence Secretary, and General Colin Powell, the newish black national security adviser who is tipped as a future chairman of the Joint Chiefs of Staff.

This quadrumvirate is characterised by a pragmatic, non-ideological approach to foreign policy which is light years from the rhetoric and action of the first Reagan Administration.

This suits Mr Shultz, who largely resists attempts to infuse policy-making with ideology. The one exception is Central America where he is a hawk. He backs military aid to the Contra rebels in Nicaragua and reportedly favours some form of military intervention to oust the Panamanian strongman General Noriega (much to the annoyance of the far more cautious Pentagon).

Some speculate that Mr Shultz's consistent hard line against the Marxist-oriented government in Nicaragua is a hangover from his days as a gung-ho marine from his native New York; others believe that it serves as a lightning rod to distract conservatives from his real aim, which is an improvement in relations with the Soviet Union.

One of the most memorable moments of the Reagan presidency came in October 1986 in Reykjavik when Mr Shultz informed the awaiting world press that a sweeping strategic nuclear arms control deal between Mr Reagan and Mr Gorbachev had foundered on the issue of the US Star Wars missile defence system. Even the normally inscrutable Mr Shultz could not hide his disappointment as he stared, exhausted and punctured, into the television cameras.

Mr Shultz naturally denies that he or anyone else in the Administration is pursuing arms control pacts with the Soviets no matter what the cost. Yet the pace of the superpower talks on reducing nuclear weapons arsenals has accelerated dramatically since Reykjavik.

In Washington last December, both sides agreed to eliminate their medium and shorter range nuclear missiles, the first superpower agreement of the post-war era to dismantle a whole class of nuclear weapons and one which will shortly be ratified by the US Senate.

In Moscow in May, Mr Reagan and Mr Gorbachev hope to reach at least an outline deal on cutting their strategic ballistic missile arsenals by up to 50 per cent. The chances are currently rated as quite good of producing a deal similar to the one signed in Vladivostok between President Ford and Mr Brezhnev in November 1974.

Unlike some of his more headline-conscious colleagues, Mr Shultz has actively tried to avoid elevating arms control issues to the exclusion of human rights and regional conflicts, which he considers to be fundamental to and co-equal in the superpower relationship.

And yet he is capable of playing the East-West dialogue in a different ways. After Mr Shevardnadze's last visit to Washington, Mr Shultz, briefing reporters, singled out for criticism Soviet opposition to the US plan for an international peace conference with limited powers as a prelude to direct talks between Israel and the Arabs.

At first sight, the US Secretary of State seemed to be appealing to Moscow to support a peace initiative to which he has given a strong personal commitment; in fact, officials say he is so disappointed with the lack of new Soviet arms proposals that he intended a blunt signal to the Soviets: no progress on arms, no seat at the Middle East peace table.

The success or failure to produce another major arms deal will probably prove the decisive measure of the Shultz era, far overshadowing, in the near-term, the likely failure of his Middle East initiative and the unrest brewing in Central America where disillusionment over vacillating US policy appears to be growing.

Mr Shultz's years have been marked by no great intellectual strategy in foreign policy (strange given his abiding interest and command of economics). But then the sheer range of US interests in the world make it easy for a Secretary of State to be caught up in day-to-day crisis management.

If Mr Shultz allows himself one pleasure, it is travel. His itinerary in the Soviet Union is a useful barometer for East/West relations. He has persuaded the Soviets to let him visit Kiev and Tbilisi, the old spa town and capital of Georgia where the Stalin-era statues still dominate the skyline but where Mr Shevardnadze, the former Georgian Communist Party boss and police chief, ought to be the perfect host.

European N-company in talks on $500m fuel plant in US

By David Fishlock in London

URENCO, the European nuclear company with British, West German and Dutch shareholders, may build and run a $500m nuclear fuel plant in the US – the group's first outside Europe – in partnership with a US electricity company.

Urenco, with headquarters in Marlow, west of London, and Duke Power of Charlotte, North Carolina, are discussing joint investment in a uranium enrichment operation based on Urenco's proprietary technology, known as the gas centrifuge.

The proposed plant would use much less electricity than present US operations.

The plant, which would be the first privately owned enrichment plant in the US, aims to fulfil 10 per cent of the country's commercial uranium enrichment requirements for nuclear power stations.

The US company has launched a series of economic, technical and regulatory studies to be carried out this summer, involving Urenco and Fluor Daniels, a US consulting engineer. Duke Power hopes to reach a decision by late summer.

Mr George Inglis, Urenco's managing director, said: "The US is the largest nuclear market in the world and Urenco wants to be there."

Shareholders in Urenco are British Nuclear Fuels, Ultra-Centrifuge Nederland, and Uranit in West Germany, each with a one-third stake.

Two-thirds of the electricity generated by Duke Power is nuclear, and enrichment accounts for 40 per cent of nuclear fuel costs.

A privately owned plant would compete with a US government-owned monopoly enrichment service based on an older technology called gas diffusion, serving over 100 US nuclear electricity plants and a large fleet of nuclear-powered warships.

Enrichment is the difficult process of raising the proportion of fissile atoms – those capable of being split – in uranium fuel, allowing smaller and more efficient nuclear reactors.

The big advantage claimed for the Urenco process is that it requires only 4 per cent of the electricity needed for gas diffusion. The gas centrifuge spins a gas of uranium at extremely high speed to separate the fissile atoms. The process involves a gas called uranium hexafluoride, about as toxic as lead, which produces no radioactive wastes.

In the diffusion process – a form of filtration – electricity accounts for 70 per cent or more of enrichment costs.

Under US law, a foreign company could build an enrichment plant in the US, provided US companies had the majority shareholding.

The US Nuclear Regulatory Commission – the Government's nuclear inspectorate – is expected to publish guidelines for private enrichment plant design.

Urenco has about 10 per cent of the enrichment capacity available to the West.

THE LEX COLUMN

Same old deficit same old panic

Yet again, the message from the US trade figures is that the markets on both sides of the Atlantic are deeply unsure of where they stand. The February deficit was worse than forecast, but still within the usual margin of error, especially after a run of figures which if anything looked better than the underlying trend. Since the excess was all on the import side, showing continued strength in consumer demand, it was a touch perverse for Wall Street to react so badly: except, of course, on the familiar ground that either the Fed may react by tightening up on interest rates, or the bond market may do the job for it.

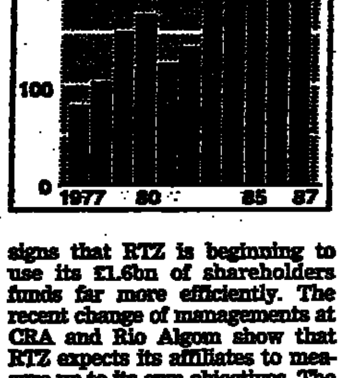
As for London, the giddy heights above 1800 on the FT-SE have yet again proved untenable. The morning's strength was largely based on bid activity, not only from Ward White and BBA but from whoever has joined the stalking match for Rowntree. The 40-point turn-round on the trade figures was a natural reaction to the collapse of the dollar; recent preoccupations apart, it is still the dollar rather than the D-mark which really counts for Britain's overseas earners.

As a rule of thumb, it is a bad sign these days when ICI and Glaxo drop below £10, as they did yesterday. Along with Wall Street, London had recovered well in the past week from a bad spell in which a 1930-style second collapse was judged to be around the corner. It is now more likely that the technical analysts will be drawing bearish lines across their charts again; and at times like these even chartists get a hearing, at least while they catch the mood.

RTZ

A modest drop in pre-tax profits for the second year running and marginally lower sales is hardly the sort of evidence that will convince the stock market that RTZ has become a more exciting company. Admittedly, the results would have looked much better had it not been for the strength of sterling; and the 14 per cent rise in 1987 earnings per share plus a 22 per cent rise in the annual dividend is what really matters to shareholders. However, as was indicated by yesterday's 5 per cent drop in RTZ's share price, to 360p, the company still has its work cut out to prove that it has shrugged off its solid, slumbering image.

To be fair, there are plenty of



signs that RTZ is beginning to use its £1.6bn of shareholders funds far more efficiently. The recent change of managements at CRA and Rio Algom show that RTZ expects its affiliates to measure up to its own objectives. The acquisition of MK Electric and the sale of the cement business fit RTZ's increasing commitment to relatively high growth businesses, and further reshaping of the core businesses seems inevitable. But however well managed RTZ may be, it cannot control metals prices; and while the immediate outlook is robust, the longer-term uncertainties explain why RTZ will probably stay at a discount of about 25 per cent to the market.

UK takeovers

The corporate finance industry seems to have solved the problem of how to pay for deals in the paper-shy London market: the convertible preference share. In its risk-averse condition, the City seems willing to underwrite issues like yesterday's convertibles from BBA and Ward White without demanding a ransom.

However, the welcome given to those two acquisitive companies as they returned to the trail reflected more than their choice of financing. More important, both can make a convincing case for their purchases. Guthrie brings to BBA the US manufacturing base that it needs to increase its hold in the increasingly international market for car parts; while AG Stanley seems an obvious fit with existing DIY businesses.

There the similarities end. BBA has agreed a deal at a price that suggests that the Malaysians were in a hurry to realise a cash profit of £100m plus on their stake. On just 11 times, Guthrie should improve BBA's earnings even if the new owner squeezes little extra out of a business that was well managed already. Although BBA's gearing will rise to 100 per cent, the strong cash flow from both companies and proceeds from selling off some of the less well fitting parts of Guthrie should bring it down to earth in a year or so.

While the market evidently thought BBA had got a bargain – the shares rose 7p to 163p – the fall in Ward White shares does not prove that 20 times earnings is too high for Stanley. Simply by changing the product range and by adding Ward White's own purchasing muscle, margins should be improved enough to make the deal neutral on earnings this year - a fact that may not go unnoticed by potential counterbidders. Instead, the market was cross at having been taken in by Ward White's hints on Tuesday that future deals would be small, and paid for in cash.

La Générale

One scarcely needs an abacus, let alone a computer, to conclude that the votes cast at yesterday's Société Générale de Belgique EGM add up to stalemate. In a more rational world, the two sides might at least have agreed to disagree. Mr Carlo De Benedetti bought his shares at a 30 per cent premium to net asset value, while Suez and camp followers paid more like 55 per cent extra for theirs; one might have thought the combatants had a mutual interest in shaking the company up now rather than later. Even the stock answer that the real business in Belgium is done behind closed doors fails to satisfy: the rivals spent much of Wednesday night closeted together and emerged none the better for it.

Générale watchers will now be looking to see who blinks first. Mr De Benedetti has the level stare of the truly ruthless, and looks like he has the cash to sustain it: even if his allies force him to bail them out by buying back their stakes, the $1.4bn which that might cost could be covered by the proceeds of the Buitoni sale. So far, the Suez crew seems to be going to great lengths to avoid the De Benedetti gaze: last night they voted against their rivals having even a single seat on the Générale board. Mr De Benedetti may be no great champion of shareholder democracy himself, but that takes some beating.

Hijack fears continue to grow

Continued from Page 1

building but their task seemed increasingly fruitless.

Algeria's President Chadli Bendjedid apparently failed to make progress when he personally intervened in the morning. He received a message from the emir of Kuwait, Sheikh Jaber al-Ahmad al-Sabah, which is thought to have reiterated Kuwait's refusal to cave in to what it calls "blackmail."

The only "positive step" the Algerians could report during the afternoon was the admission to the aircraft of a group of cleaners and a doctor.

The stalemate in negotiations is embarrassing for the Algerian Government, which apparently allowed the aircraft to land only on the basis of what it thought were watertight assurances that the hostages would be released on arrival.

Pearson modifies Les Echos bid

BY RAYMOND SNODDY IN LONDON

PEARSON, THE UK publishing, banking and industrial group which publishes the Financial Times, has modified the terms of its £88m ($162m) acquisition of Les Echos, the French financial daily newspaper, in the hope of winning early approval from the French Government for the deal.

Under a new agreement signed this week by Lord Blakenham, chairman of Pearson, and Mrs Jacqueline Beytout, president of Les Echos, Pearson will now acquire two-thirds of the equity. The remaining one-third will be acquired one year later provided Pearson is still a European Community company.

Mr Edouard Balladur, the French Finance Minister, delayed approval of the original 100 per cent acquisition and questioned whether the Community status of Pearson had been "durably established." This was taken as a reference to the fact that Mr Rupert Murdoch, the American-Australian publisher, had bought 20.5 per cent of the group.

Lord Blakenham said yesterday that he believed the new agreement, which has already been submitted to the French Ministry, was "a sensible move that should work to the advantage of both parties."

Pearson executives are now expressing optimism that agreement can be reached quickly. It is likely that the French Government was sounded out in advance, although it was being stressed that no guarantees have been given.

The proposed new deal, which is in a mixture of cash and shares in the same proportion as the original deal, contains further measures to maintain a degree of French ownership.

Mrs Beytout has given an undertaking that if she decides to sell the 7.3m Pearson shares she will receive in part payment for Les Echos, first refusal will go to Lazard Frères, the Paris-based merchant bank and a Pearson associated company.

In addition, Financière et Industrielle Gaz d'Eaux, a French industrial investment company effectively controlled by Lazard Frères, which has a 9.4 per cent stake in Pearson, has undertaken to be a long-term shareholder in the UK publisher.

Last month, the European Commission asked the French Government to explain its decision to delay the purchase of Les Echos, but both Pearson and Les Echos management have agreed to the new contract in the hope of avoiding any possibility of protracted litigation.

Central banks in concerted action

Continued from Page 1

monthly trade figures concealed the real extent of the adjustment process now under way.

Mr Kiichi Miyazawa, the Japanese Finance Minister, has also indicated this week that the rapid growth in his country's economy precluded lower borrowing costs.

The Finance Minister's embarrassment was compounded yesterday by the publication of the IMF's World Economic Outlook which said that on current trends and policies, trade imbalances between the three largest economies would remain at unsustainable levels into the 1990s.

Mr Lawson's speech to the IMF's policy-making Interim Committee reflected his recent compromise with Mrs Margaret Thatcher, the UK Prime Minister, over the Government's exchange rate policy for the pound.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	S	14	57	Malta	S	19	66	Rhodes	C	18	64
Algiers	S	21	70	Edinburgh	S	11	52	Manchester	S	11	52	Rio de J'o	R	33	91
Amsterdam	S	12	54	Faro	S	21	70	Manila	-	-	-	Rome	S	21	70
Athens	S	20	68	Florence	S	18	65	Melbourne	S	22	72	Salzburg	S	7	45
Bahrain	C	30	86	Frankfurt	S	11	52	Mexico City	-	-	-	San Francisco	S	16	61
Bangkok	C	34	93	Funchal	F	19	66	Miami	S	14	57	Seoul	S	12	54
Barcelona	F	19	66	Geneva	S	9	48	Milan	S	19	66	Singapore	F	28	82
Beirut	S	22	72	Gibraltar	S	21	70	Montreal	F	6	43	Stockholm	S	5	41
Belfast	C	9	48	Glasgow	S	10	50	Moscow	C	13	55	Strasbourg	S	12	54
Belgrade	R	7	45	Guernsey	R	8	46	Munich	S	7	45	Sydney	S	23	73
Berlin	S	9	48	Helsinki	Sn	3	37	Nairobi	F	26	79	Taipei	C	26	79
Biarritz	F	19	66	H. Kong	C	23	73	Naples	F	17	63	Tangier	S	21	70
Bombay	S	31	88	Innsbruck	S	9	48	Nassau	-	-	-	Tel Aviv	S	20	68
Bordeaux	S	18	64	Inverness	F	12	54	New Delhi	S	36	97	Tenerife	S	22	72
Brussels	S	12	54	Islamabad	F	31	88	New York	-	-	-	Tokyo	S	19	66
Budapest	F	9	48	Istanbul	R	12	54	Nice	S	19	66	Toronto	F	14	57
B. Aires	-	-	-	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	S	22	72
Cairo	S	27	81	Jersey	C	10	50	Oporto	C	16	61	Valencia	S	22	72
Cape Town	C	21	70	Jo'burg	C	19	66	Oslo	C	3	37	Venice	S	14	57
Caracas	C	29	84	Lima	-	-	-	Paris	F	11	52	Vienna	C	7	45
Casablanca	S	21	70	Lisbon	S	20	68	Peking	S	24	75	Warsaw	F	7	45
Chicago	C	23	73	London	F	11	52	Prague	S	7	45	Washington	F	3	37
Cologne	S	11	52	Los Angeles	C	14	57	Reykjavik	F	3	37	Zurich	S	9	48
Copenhagen	S	8	46	Luxembourg	S	10	50								
Corfu	R	14	57	Madrid	S	20	68								
Dallas	-	-	-	Majorca	S	19	66								
Dublin	C	9	48	Malaga	S	21	70								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

SGB wins first round over De Benedetti

Continued from Page 1

Viscount Etienne Davignon, the Générale director spearheading the defence.

Despite the breakdown of the talks, Viscount Davignon beamed serenely down on the Italian from his podium seat, content in the knowledge that he could count on majority support.

Meanwhile, the Italian was blamed for making unreasonable demands in the negotiations.

Contributing to the tension were frequent long delays while La Générale's computers checked first through shareholder registrations and then votes.

"If your computers are not giving satisfaction, why not buy Olivettis?" joked Mr André Leysen, the Flemish businessman supporting Mr De Benedetti.

A hollow chuckle from Mr Lamy.

Tim Dickson and David Buchan in Brussels write: The Franco-Belgian group of shareholders made a clean sweep of elections for new directors of Société Générale de Belgique, getting all 12 of their nominees on to the board.

Mr De Benedetti and his two Belgian followers, Mr André Leysen and Mr Pierre Scohier, were narrowly voted down in their bid to join the board. Mr De Benedetti, who immediately ordered a recount, described the result as "undemocratic," in view of the fact that he and his allies held 47 per cent of La Générale's capital.

Mr De Benedetti said he would not reach an agreement with the majority shareholders unless he could head a new strategy-setting committee.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday April 15 1988

Chemical New York stages 46% surge in net profits to $125m

BY ANATOLE KALETSKY IN NEW YORK

SEVERAL MAJOR US banks yesterday reported big improvements in first-quarter earnings. The gains were based mostly on higher trading incomes, tighter controls on corporate overheads and, for some banks, lower taxes.

Chemical New York, the nation's fourth-largest bank group, reported a 46 per cent advance in after-tax profits to $125m or $1.95 a share, compared with $86m or $1.58 a year ago. The increase came despite continuing problems at Texas Commerce Bank, the troubled Houston-based institution which Chemical acquired a year ago.

Texas Commerce, whose results were consolidated into the latest quarterly figures, reported a $11.6m loss. The Texas bank's results were not included in Chemical's 1987 reports, making year-to-year comparisons difficult. Unlike most other banks, Chemical reported a somewhat higher tax charge and lower foreign exchange profits than in the previous year.

As a result of the Texas Commerce acquisition, Chemical's common equity fell to 3.8 per cent of total assets, compared with 5.2 per cent in the first quarter of 1987.

At Manufacturers Hanover, the sixth-ranking US bank, profits jumped 73 per cent to $140.3m or $2.56 a share, from $81m or $$1.68. Just under half the gain was due to the recognition of $28m tax benefits connected with the additional reserves of $1.7bn which the bank set up in 1987 for its Third World loans. Foreign exchange revenues trebled, contributing $27m more than in the 1987 quarter to the bank's pre-tax revenues. Other trading activities also showed sharply improved results.

At the same time, Manufacturers reduced underlying expenses by about 3 per cent, shedding 2,250 jobs or 8 per cent of its staff. Common shareholders' equity, which Manufacturers has pledged to raise to 4 per cent of total assets by the end of this year, stood at 2.98 per cent at the end of March.

Security Pacific, the seventh-largest US bank, reported 26 per cent higher earnings of $147m or $1.30 a share, compared with $116m or $1.06. The main factors in the improvement were lower credit losses, which decreased from $102m to $71m, and slower expense growth. Security Pacific's tax charge was up 12 per cent to $80m. The ratio of common equity to assets was roughly unchanged, at 4.34 per cent.

Bank of New York, the fast-growing regional bank which is attempting to take over Irving Bank, one of its main Wall Street rivals, reported a 15 per cent increase in earnings to $54m or $1.47 a share, despite a near-doubling of its tax charge to $23m. Most of the growth was due to higher net interest income. BNY's common equity ratio rose to 5.07 per cent, from 4.83 per cent.

Gillette up 37% to $75m

BY OUR FINANCIAL STAFF

GILLETTE, the US razor and toiletries group, lifted first-quarter net income by 37 per cent to $75.3m, from $55m a year earlier. Per share earnings were 65 cents, against 48 cents.

Revenues rose by 18 per cent, to $903m from $762m.

Mr Colman Mockler, chairman and chief executive, reiterated a forecast of a 25 per cent rise in full-year net earnings to about $2.60 a share, compared with $2 in 1987 and $1.42 in 1986.

UK MOTOR COMPONENTS COMPANY WINS CONTROL OF MALAYSIAN GROUP

Guthrie board accepts £221m bid

BY CLAY HARRIS IN LONDON

THE SUSPENSE over the future of Guthrie Corporation, the UK-based former plantation group, was brought to a swift conclusion yesterday when BBA, the diversified automotive components company, agreed to buy it for £221m ($404m).

BBA secured control of the industrial group when Permodalan Nasional Berhad, the Malaysian government investment agency which has controlled Guthrie since 1981, accepted £134.7m in cash for its 60.83 per cent stake.

The deal was clinched only eight days after PNB announced its plan to sell the stake. Faced with the fait accompli of the Malaysians' irrevocable acceptance, Guthrie's independent directors gave a grudging recommendation to the bid.

BBA makes a wide range of industrial products, including clutches and brakes, beltings and webbings and aerospace components. Guthrie owns Duralay, Europe's largest manufacturer of carpet underlay, the US aviation services group Pave Avjet and also makes motor components and fire-fighting and electrical equipment.

BBA and Guthrie reported 1987 pre-tax profits of £41.2m and £22.6m respectively.

PNB has achieved a handsome commercial profit to add to its previous political success of securing Malaysian ownership of Guthrie's former palm oil and rubber plantations.

The disposal raises PNB's total profit to more than £100m excluding the value of the plantations it holds after hiving them off from the group in 1982.

On BBA's share offer of 27 convertible preference shares for every 10 Guthrie shares, the target company is worth £240m, or about 292p per share. Because PNB accepted the 270p cash alternative and because the shares are underwritten, BBA stands to pay only £221m.

Analysis, Page 30

CBS drops to $696m in quarter

By Janet Bush in New York

CBS, the New York-based broadcasting company, yesterday announced lower first-quarter sales and profits, largely reflecting poor results from its television network.

Net sales fell 5 per cent to $696.3m compared with $729.7m a year before, while operating profits fell 29 per cent - $21.9m to $15.6m.

Other key items on the quarterly balance sheet are heavily affected by special items, primarily the sale of the record business to Sony of Japan last year for about $2bn.

Income from continuing operations was $44.7m ($7.8m).

However, this was largely due to a substantial rise in interest income because of cash generated from asset sales.

The rise in net income is due almost entirely to the receipt of $866.6m from the sale of the record business.

Net income rose to $911.3m ($48.7m).

The company blamed the fall in profits on the absence of big sporting events.

Lockheed earnings increase 28% in spite of flat revenues

BY OUR NEW YORK STAFF

LOCKHEED, the US defence contractor faced with falling orders for its big C-5 transport aircraft, reported essentially flat revenues but enjoyed a 28 per cent surge in first-quarter earnings because of lower tax expenses.

A sharp drop in its effective tax rate, from 40 to 24 per cent, helped earnings rise from $89m or $1.35 a share for continuing operations to $114m or $1.84.

The tax rate was reduced because deferred taxes, charged at higher rates before the recent tax reform, were reversed.

But revenues – the company depends for 87 per cent of its business on the Pentagon, rose from $2.5bn to only $2.6bn.

The backlog of orders funded by the US or foreign governments slipped from $8.4bn at end-1987 to $8.2bn at end-March.

DEC falls 11% to $406m

BY OUR NEW YORK STAFF

DIGITAL EQUIPMENT, the leading US maker of mid-range computers, has confirmed Wall Street's anxieties about the condition of its main markets.

The Massachusetts-based company, which has grown strongly over the past four years, reported an 11 per cent drop in third-quarter pre-tax earnings to $406.9m.

The decline occurred depite a strong 17 per cent increase in operating revenues to $2.8bn.

But because of a lower tax charge, Digital managed to report more or less unchanged after-tax profits of $305.1m, or $2.33 a share, against $307.6m or $2.29 a share in the 1987 March quarter.

The results confirmed the market's fears about the company's current business.

A month ago, Digital stunned Wall Street by saying a changeover to a new generation of computers was causing it problems.

Motorola advances to $114m

By Louise Kehoe in San Francisco

MOTOROLA, the US-based electronics manufacturer, reported strong first-quarter growth, boosted by record sales of semiconductor chips.

First-quarter sales were $1.95bn, up 26 per cent from $1.55bn in the same period last year.

Earnings increased to $114m or 88 cents a share, from $56m or 44 cents.

Quarterly sales of semiconductor products were a record. Sales rose 31 per cent, orders climbed 25 per cent and operating profits increased sharply.

Next week, the group plans to introduce a very high performance Risc (reduced instruction set) microprocessor.

The launch will mark Motorola's entry into one of the fastest-growing sectors of the semiconductor market, in which several US companies are vying to establish a new generation of microprocessors as the "brains" of high-performance computer workstations.

United Tech rises 24% in first-quarter on slow sales growth

BY JAMES BUCHAN IN NEW YORK

UNITED TECHNOLOGIES, the *diversified industrial conglomerate* which is reshaping its portfolio, yesterday reported a 24 per cent increase in first-quarter net income despite sluggish 5 per cent sales growth.

The group, which has vigorously unloaded poorly performing businesses since Mr Robert Daniell succeeded Mr Harry Gray as chairman last year, also revealed that the sale of Norden Systems, its radar subsidiary, which has been plagued with problems was being considered.

Earnings in the first quarter to March were $122.2m or 94 cents a share on sales revenues of $4.1bn. The group, which has made big charges to its earnings since launching its restructuring programme, has booked a further $148.8m in pre-tax provisions, but these were covered by a special gain of $156m from the sale of the Essex wire and cable business and other assets.

The charges are designed *largely to reflect losses on big* radar contracts at Norden and write-off capital equipment. United Tech said that the charges were designed to position Norden for possible sale. The company had hired Goldman Sachs, the Wall Street investment firm, to sift through offers for the company, which had 1987 sales of $387m.

Mr Daniell said: "Our first-quarter earnings performance was on plan and we continue to expect to achieve record earnings in 1988. I am particularly pleased with the first-quarter performance of Otis and UT Automotive."

In addition to Norden, Otis elevators and its automotive business, United Tech is known for Sikorsky helicopters, Carrier air conditioning, Pratt & Whitney aircraft engines and Hamilton Standard controls.

Upjohn profits climb 18% on rise in foreign sales

BY OUR NEW YORK STAFF

UPJOHN, the US pharmaceuticals and veterinary drugs group, yesterday reported an 18 per cent increase in net income for the first-quarter.

Earnings were $95m or 51 cents a share, owing to good sales of its central nervous system drugs.

The group, based in Kalamazoo, Michigan, said revenues rose 11 per cent to $597m.

Foreign sales were up 18 per cent to $264m, or 40 per cent of total business.

The company said that its new cure for baldness is "contributing well to foreign sales."

The sales increase occurred despite price inflation of only 1 per cent.

Volume rose 6 per cent, with the remaining 4 per cent coming from the weakness of the dollar.

The company said that sales of human health-care products and services rose 11 per cent.

There were record shipments of Xanax and Halcion, the two central nervous system agents.

There was good growth also for Micronase, an oral treatment for diabetes.

Sales of veterinary drugs rose 12 per cent.

Mr Theodore Cooper, Upjohn's chairman, said that Rogaine, the world's first prescription drug for treating male pattern baldness, has been cleared for marketing in 36 countries.

It had received UK approval in the last quarter.

The drug has caused great excitement on Wall Street.

INTERNATIONAL COMPANIES AND FINANCE

Benedetti accepts temporary check

By Tim Dickson in Brussels

THE AMBITIONS of Mr Carlo De Benedetti to win control of Société Générale de Belgique appeared to be firmly checked yesterday when the rival Franco-Belgian camp of shareholders effectively emerged as the largest group at the company's eagerly awaited extraordinary general meeting.

But while implicitly acknowledging that he had been defeated on this occasion, the Italian businessman vowed to continue his bitter, three-month struggle for Belgium's most powerful business institution.

"Nobody thinks that the board which will be elected will be the definitive one, or that the likely result of the vote today will be adequate," he told the tightly packed assembly of more than 1,100 shareholders.

By mid-evening yesterday the result of the crucial vote on new board appointments had still not been announced.

But the widespread expectation was that this would roughly reflect the long standing claims of the two sides, with Mr De Benedetti and his followers left with a little under 50 per cent of the total but still possessing a blocking minority able to frustrate expansion plans and new share issues.

The battle for La Générale, which indirectly influences about one third of the Belgian economy, has been more than just a run-of-the-mill takeover.

At stake are Mr De Benedetti's pride and vision of a Europe-wide holding company, as well as the fate of a 166-year-old business widely considered to be a national institution.

Yesterday's high drama began with the news that last ditch negotiations late into Wednesday night and the following morning between Mr De Benedetti and representatives of the rival consortium, led by Compagnie Financière de Suez and Groupe AG, the Belgian insurance concern, had broken down amid mutual recriminations.

Viscount Etienne Davignon, the leading spokesman of La Générale's board, emerged from the meeting to tell journalists that "the intransigence of Mr De Benedetti makes any deal impossible."

Although details of the negotiations were vague, Viscount Davignon indicated that Mr De Benedetti had refused to withdraw his reservations about the way in which the board has acted over the last three months, and his demand as a minority shareholder for a "special role."

One of the big surprises of the day was the decision by Sodecom, a company friendly to La Générale's board and the Franco-Belgian camp, to "deposit" for voting purposes 2m of the 12m recently created shares which it controls and which have been and still are the subject of furious legal argument.

This appears likely to strengthen the position of the anti-De Benedetti camp and complicate the Italian's fight to woo more potential supporters to his side.

The other 10m of these shares are the subject of a separate legal dispute with Mr André Leysen, the Flemish businessman.

Credit Lyonnais profit climbs 22%

BY GEORGE GRAHAM IN PARIS

CREDIT LYONNAIS, the third largest French banking group, has reported a 22 per cent increase in group net profits in 1987 to FFr2.22bn ($387m), excluding minorities, following a 51 per cent increase a year earlier.

Mr Jean-Maxime Levéque, chairman, said the increase resulted from a large commercial effort which had seen clients' deposits increase by 9.6 per cent, more than double the rate of its two main rivals, Banque Nationale de Paris and Société Générale.

The group's lending margins narrowed, however, while its operating expenses rose by 6 per cent, resulting in a 2.8 per cent fall in gross operating profits to FFr8.78bn. Like other large French banks, Crédit Lyonnais reduced its provisioning effort last year, setting aside FFr5.32bn compared with FFr6.21bn in 1986. Total capital funds and provisions rose to FFr56.4bn, or 13.5 per cent of gross lending.

Crédit Lyonnais' stock of provisions on country risks rose by FFr1.8bn to FFr13.9bn and covered 43 per cent of its total commitments in about 60 heavily indebted countries.

A year earlier its provisions covered 33 per cent of commitments in 45 countries judged at risk. The decline of the dollar, in which many of these overseas loans are denominated, has increased the ratio of cover.

Net commission income rose by 18.3 per cent last year to FFr6.18bn, amounting to 28 per cent of total net banking income.

The main contributions came from the group's electronic banking operations – its Télélion home banking service has 90,000 subscribers and hopes for 200,000 by the end of 1988 – in addition to customers' securities operations and fee income from privatisations.

Mr Levéque said although the bank would initially be able to meet the 8 per cent capital to assets ratio proposed by the Cooke Committee of the Bank for International Settlements as a new capital adequacy standard, it would thereafter be unable to expand unless it could raise new equity.

Acquisitions boost Adia

BY JOHN WICKS IN ZURICH

CONSOLIDATED NET profits of Adia, the Swiss-based temporary employment group, rose by 31 per cent last year from SFr57.2m to SFr74.8m ($53.4m). This followed a 27 per cent increase in group revenues from SFr1.6bn to SFr2.04bn.

Had the Swiss franc remained at 1986 levels, revenue growth would have been 37 per cent, according to Adia International in Lausanne. The company said that half the volume increase was accounted for by acquisitions in 1987.

The group which, as one of the world's biggest in its sector owns such large national operators as Britain's Alfred Marks, recorded an "encouraging development in all its activities" and an increase in market share.

Growth was particularly strong in North America and Japan. There was a "sustained increase" in Europe and the southern hemisphere.

In all, 28.5 per cent of total revenues came from activities in the US, 22.1 per cent from France, 11 per cent from the UK and the remainder from operations in 13 other countries. Temporary employment services made up 89.5 per cent of revenue.

OEMV to raise payout

BY JUDY DEMPSEY IN VIENNA

OEMV, THE oil and petrochemical group which last year was the first Austrian state-owned company to be partly sold to the public, is proposing a dividend of 16 per cent per Sch1,000 nominal share.

Preliminary results for 1987 show that sales fell by 9.8 per cent to Sch42.8bn ($3.6bn) from Sch47.5bn in 1986, due largely to the drop in oil prices and to warm weather. No profit figures were published.

Last November, 15 per cent of OEMV was sold as part of the Government's long-term privatisation programme. The shares have held up, with help from Austrian banks.

Dr Maria Schaumayer, a member of the OEMV board, said yesterday that while the company hoped to sell a second tranche there were no immediate plans to do so.

OEMV paid a 15 per cent dividend to Oiag, its parent, in 1986. The increase in the payout means that OEMV wants to project its own corporate identity.

Two other state-owned concerns, Austrian Airlines and the electricity industry, will join OEMV on the Vienna bourse later this year.

Banesto chief keeps flying in fashion's face

BY PETER BRUCE IN MADRID

YOUNG, HANDSOME Mr Mario Conde has been chairman of Banco Espanol de Credito (Banesto) for just over 100 days, and by way of celebration has just become a shareholder in Fuerzas Electricas de Cataluna (Fesca), the big, once-troubled Catalan electrical utility.

In an operation conducted with almost familiar speed, Banesto has acquired about 2 per cent of Fesca – in shares bought from the utility's board – for about Pta3.5bn ($31.2m) and will take three seats on the board.

The amounts may be small but they represent the latest example of a fevered effort by Mr Conde to stamp his authority on a bank once ruled by a secretive clique of families who, by the time the chairmanship was offered to him late last year, had spent decades weaving an horrendously complicated web of shareholdings between themselves, the bank and its big industrial empire.

In a recent interview, Mr Conde, 39, began to sketch out on a paper pad some of the myriad cross-holdings he has now been allowed to gaze on. After a few minutes he gave up, exclaiming with a wave of the arm: "I can't work with this, I need clarity."

One of the six old Banesto families has already been shown the door in spite of threats to start a new bank.

Yet Mr Conde, flying in the face of fashion, has set out to consolidate, protect and strengthen Banesto's industrial arm – nearly 200 companies in which the bank has a stake of 20 per cent or more – rather than get rid of it.

He is, in any event, more an industrialist than a banker and became chairman by way of selling, with a colleague, Antibioticos, their pharmaceuticals company, to Montedison of Italy last year for about Pta60bn and using some of the proceeds to become Banesto's biggest shareholders.

Reports that Mr Conde is now trying to buy back Antibioticos will surprise no one. Although Banesto's banking organisation might have appeared to need more immediate attention than its well-managed and profitable industrial arm, Mr Conde has largely ignored it.

This stems partly from the belief that Spanish banks have stayed small(ish) and stayed at home because Spanish industrial companies have seldom felt strong enough to attack foreign markets.

Consequently, their banks – unlike the British, American, French and Japanese – have stayed at home too. Industry, Mr Conde believes, is the key to banking growth.

A first move involved regaining control of the five main portfolio companies, the so-called isas, through which Banesto owns most of its big industrial stakes.

These include Petromed, the oil refiner; Agroman, the construction group; La Union y El Fenix, the country's biggest insurer; Editorial Argos Vergara, a publishing group; Acerinox, a leading special steels producer; and Iberica de Industrias Plasticas.

Banesto's stake in these holdings had dropped to 15 per cent over the years. By the beginning of last week, however, a Pta35bn offer plus Banesto shares had won back control of all of them.

It was a clever move. With just 51 per cent of each isa, Banesto secures its prime industrial companies against raiders without having, in turn, to buy back shares in each one.

Because the isas together hold about 4 per cent of the bank itself, it has won control of an important shareholder. In addition, noted one Madrid analyst, "It was a good way of offloading Banesto stock into friendly hands."

In the interests of even more clarity for Mr Conde, the isas will probably be merged soon.

Assuming that the country's electricity utilities are still going to be near-monopoly suppliers of power after 1992, Mr Conde has made it clear he wants holdings in all the large ones.

Banesto already has a 4.5 per cent stake in Union Electrica-Fenosa and the Fecsa holding became possible when the company returned to the stock markets on April 5 after a three-month suspension, during which it renegotiated its Pta617bn debt.

The Fecsa purchase has a side-effect in that it has, momentarily at least, brought Banesto together with Banco Central, the country's biggest bank, which has an important stake in Fesca and whose chairman, Mr Alfonso Escamez, is understood to have advised Mr Conde over the past two weeks.

Both Banesto and Banco Central remain strong merger candidates among Spain's big seven banks. With his industrial group now more firmly in hand, Mr Conde may soon begin to pay more attention to Banesto's banking side.

Rieter Holding lifts dividend after increase

RIETER HOLDING, the Swiss engineering group, is raising its dividend for 1987 by 10 per cent, following an increase in parent company net profits to SFr13.4m ($9.5m) from SFr10.9m, writes John Wicks in Zurich.

Group earnings jumped by 39 per cent, from SFr30.4m to SFr42.3m.

Group sales rose 38 per cent from SFr1bn to SFr1.34bn, largely due to the acquisition of Schubert & Salzer, the German spinning machine manufacturer.

● Maag Zahnraeder, the Swiss engineering group, has announced plans to cut by 1991 about 500 jobs at its main plant in Zurich, out of a total complement of 921.

This follows the loss of about 250 jobs in 1984.

INTERNATIONAL COMPANIES AND FINANCE

Deborah Hargreaves on a US group's fight to emerge from Chapter 11

Manville puts its faith in trust

IN WHAT looks like being an uphill struggle, Manville Corporation, the Denver-based glass fibre and forest products concern, is working to rebuild its place in the investment community, in the hope of emerging some time this year from its lengthy Chapter 11 reorganisation.

Mr Tom Stephens, Manville's president and chief executive officer, is trying to put the company's long association with asbestos behind it, now that it has divested its asbestos business, once the core of the company. He is stressing growth in glass fibre, forest and specialty products – particularly overseas.

But the fact that Manville will be controlled by a health trust set up to pay some 50,000 asbestos compensation claims remains as an indefinite legacy.

Mr Stephens defends ownership by a trust – which will control up to 80 per cent of Manville's shares – as an opportunity to take a long-term approach to investment for the future. "Their needs and objectives are the same as those of management – to receive value over time," he explains.

It was with over 17,000 health claimants in mind that the company plunged into voluntary Chapter 11 in August 1982 – what it says was the only solution to the emotional problem it faced. "Our biggest frustration is that people say we took Chapter 11 to avoid our responsibilities, but the company couldn't have withstood the financial burden without it," says Mr Stephens, who joined the deadlocked negotiations in 1985, when he became chief financial officer.

Back in 1982, Manville's insurance carriers had stopped paying claims from workers with asbestosis and property owners who were having to strip the material out of their buildings. "Essentially, Chapter 11 gave us a time-out period and a way to put all creditors on a level playing field," Mr Stephens maintains.

However, that playing field has given shareholders a feeling of being left in the changing rooms as they face up to 98 per cent dilution of their holdings under the reorganisation plan, which effectively hands control of the company over to the health trust.

The trust will receive an initial injection of some $2.5bn in bonds, as well as 20 per cent of Manville's profits for as long as it needs to pay off some $2bn-worth of asbestos claims. At the same time, a separate trust is due to be set up to pay property-damage claimants.

Frustration at delays

Manville has already taken a $91m charge against fourth-quarter 1987 earnings to make the first payment into the trust, but the trust cannot begin its function until remaining appeals surrounding the Chapter 11 settlement are cleared up.

Mr Stephens is confident this will be settled in time for the company to emerge from Chapter 11 this summer. But Manville has been waiting to leave Chapter 11 for the last 18 months and could face further delays if the pending appeal by 400 health claimants goes to the Supreme Court.

With evident frustration at the series of delays, the bluff Mr Stephens is eager to implement Manville's precedent-setting reorganisation plan after months of waiting. In the meantime, he is working hard to restore the company's footing with investors.

In spite of Manville's common shareholders losing out under the reorganisation, Mr Stephens is hoping to attract some of them back. "Our situation is not simple, but we've taken a very difficult problem and organised it in a common sense way." Manville's Chapter 11 has given investors a "unique opportunity" to learn a lot about the company, he says.

However, while the Chapter 11 agreement is a good compromise, "the overhanging liability will dissuade a lot of investors," cautions Mr Paul Klenaittis, who follows the company at investment firm Duff and Phelps. Today's share price, which is trading below last year's earnings, is a reflection of that, he says. "Manville will sell at a low multiple for years to come."

But it is performance that impresses, Mr Stephens maintains, and the newly streamlined company turned in record earnings for last year, with revenues topping the $2bn mark. Net earnings per share – before the trust payment – leaped to $5.79, from 1986's level of $2.34. And that level was reached in spite of a soft year for building products companies in general, remarks Mr Klenaittis.

Mr Stephens hopes to mirror 1987 earnings again this year, despite a continued soft outlook for the construction business. "This year, it will be difficult to meet last year's earnings in construction, but as an entity, we hope to do the same as last year."

One of the company's major thrusts is to promote growth overseas – principally in Europe – where it is looking to expand its investment in paper converting capacity. And Mr Stephens says he is scouting for joint venture partners to establish Manville as a major player in Europe.

Forward integration

At the same time, the company is considering adding a new paper mill to its Brazilian operations, as well as pursuing forward integration on the home front. Mr Stephens is upbeat about the company's growth potential, while stressing it will not diversify for diversification's sake. "It would not surprise me if, in six to seven years, we are not double the size we are now, with a balance between the US and our overseas operations."

Manville will primarily be looking to the banking community to finance any initial expansion. But Mr Stephens is confident that, after a massive restructuring of its balance sheet when the company emerges from Chapter 11, and four years to repay its debts, Manville will be looking at a fairly unleveraged balance sheet. And at least the company will not be looking over its shoulder at the corporate raiders, he jokes.

Li trial adjourned for four months

BY DAVID DODWELL IN HONG KONG

MR RONALD LI, former chairman of the Hong Kong Stock Exchange who was arrested in January this year and charged with corruption linked with stock exchange transactions, appeared briefly in court yesterday only to have his trial adjourned for four months while investigators from the territory's Independent Commission against Corruption (ICAC) examine whether fresh charges will be brought against him.

Mr Li was charged in January with accepting an unlawful advantage from the local subsidiary of the leading Japanese construction company, Kumagai Gumi. ICAC prosecutors allege that Mr Li accepted 1.1m Kumagai shares at the time of the public flotation of the company in Hong Kong in May last year "without lawful authority or reasonable excuse."

The charge, which comes under Hong Kong's prevention of bribery ordinance, alleges that the shares were offered as "an inducement to show favour to the Kumagai issue." Its offer, of 67m shares, was a record 200 times oversubscribed.

Prosecutors yesterday asked for an adjournment to August 11 because they claim current investigations may lead to fresh charges being brought against Mr Li that ought to be considered jointly with the first charge.

The charge against Mr Li is understood to be based on evidence accumulated in September last year and is not therefore related to the collapse of the territory's futures market and the closure of the stock exchange in October last year in the wake of the worldwide stock market crisis on October 19.

Since the collapse, major reforms have been initiated in both the futures and stock exchanges, where Mr Li and a tightly-knit group of local stock and futures brokers had previously had total control. Mr Li was deputy chairman of the futures exchange as well as chairman of the stock exchange.

As a back-drop to the reforms, Mr Ian Hay Davison, the one-time chief executive of Lloyd's of London, has been conducting a comprehensive review of Hong Kong's securities industry. The report containing his proposals for further reform is expected to be presented to the Hong Kong Government on May 20, and made public on June 1.

Despite serious damage done to Hong Kong's reputation as an international financial centre following the closure of the stock market, it is widely felt that some confidence has been restored by prompt government action to investigate weaknesses in the local securities industry. Pressure on Mr Li and a number of close stockbroking associates to distance themselves from the exchange has also bolstered confidence, particularly among international and corporate brokers in the territory.

In the long term, much will nevertheless depend on how firmly the Government acts once the Hay Davison report is complete.

Rhoto Pharmaceutical buys Mentholatum

RHOTO PHARMACEUTICAL of Japan announced yesterday that it had reached a basic agreement to acquire Mentholatum, a US drug company.

The company will sign a formal agreement on June 30 with Mr George H. Hyde, Mentholatum's president, and acquire all the outstanding shares of the US company, based in Buffalo, New York. No price was disclosed.

In 1975, the Japanese company obtained the rights to market Mentholatum products in Japan and said it decided to buy Mentholatum when the US company expressed its intention to sell itself toward the end of last year. Mentholatum products are said to account for one-fourth of Rhoto Pharmaceutical's annual sales, or some Y4.6bn ($36.5m).

With the acquisition, officials said, Rhoto Pharmaceutical could make the Mentholatum licences its own and make deeper inroads into the US market.

Mentholatum, established in 1888, has some 470 employees and annual sales of about $50m, according to Rhoto.

●Kobe Steel announced yesterday that it would establish a new company in New York to co-ordinate its US operations.

The company said the wholly-owned subsidiary, Kobe Steel USA, will be capitalised initially at $1m and will have a staff of five.

It will manage Kobe Steel's 14 associate companies in the US, develop business opportunities, provide financing, and promote research and development. The unit will be headed by Mr Soichiro Yoshimura, a Kobe Steel executive vice-president. Kobe set up the subsidiary because of its increasing participation in US business and industry.

Late in 1987, Kobe Steel decided to establish three companies in the US for production of substrates, the base material for magnetic computer disks, inner-grooved copper tubing for use in air conditioners, and steel powders for automotive and machine parts.

●Kawasaki Steel has received orders to build part of a hotel planned for the Hawaiian island of Maui. Of the Y30bn total estimated cost, Kawasaki Steel has received orders for the main hotel building and attached facilities worth around Y10bn.

It will conduct the project jointly with Kumagai Gumi and TSA International, the Hawaiian developer. The Grand Hyatt Whaler Hotel, which is scheduled to be completed at the beginning of 1990, will be on the coast of the Southern part of the island.

Last year, Kawasaki Steel accepted orders to develop land for second homes in Queensland, and in the next two to three years it hopes to secure between Y10bn and Y20bn in orders from overseas development projects.

●Nintendo, the Japanese manufacturer of video games and computer components, has announced net profits for the half year to February 29 of Y11.24bn, up from 10.18bn in the first half of last year. Sales were Y80.28bn, up from Y79.15bn.

Norwich Winterthur tops bid for control of CIC

BY BRUCE JACQUES IN SYDNEY

A MULTINATIONAL battle has been joined for control of CIC Holdings, the Sydney-based general insurance group. The Swiss/UK owned Norwich Winterthur (Australia) has launched a A$3.70 a share bid for the group, valuing it at about A$154m (US$115m).

This comfortably tops the existing bid of A$3.25 a share from Auckland-based NZI Corporation launched nearly a year ago.

CIC directors had recommended acceptance of the NZI bid in the absence of a higher offer. CIC shares have been trading above the NZI bid price at around A$3.35 each and the new bid comfortably tops this level.

NZI has built its CIC stake to nearly 15 per cent but the company's major shareholders are Inter-Pacific Equity, the Sydney-based group of investors, with just over 30 per cent, and National Insurance of New Zealand, with about 29 per cent.

The success of the new bid, which is being made through a vehicle called Corebell Pty and is conditional on 50 per cent acceptance, clearly hinges on the attitude of these two shareholders.

Alan Friedman on the opening of Italy's first private bank since 1939

Boutique banking comes to Milan

AT EXACTLY 8.30 on Monday morning, in Milan's Via Turati, one of the city's busiest thoroughfares, an event will take place that may not be monumental in itself but which will none the less represent the writing of a slice of Italian banking history. For, come rain or sunshine, this Monday will see the opening of Italy's first newly authorised private bank since 1939.

The one-branch Banca Euromobiliare is the brainchild of Mr Guido Roberto Vitale, the 50-year-old general manager of Euromobiliare, one of Milan's most respected investment banking companies. It is not only a personal achievement for the workaholic Mr Vitale, who is among the best known figures in Italian finance, but a sign that the Bank of Italy's policy of gradually opening up the Italian market to more competition is going forward.

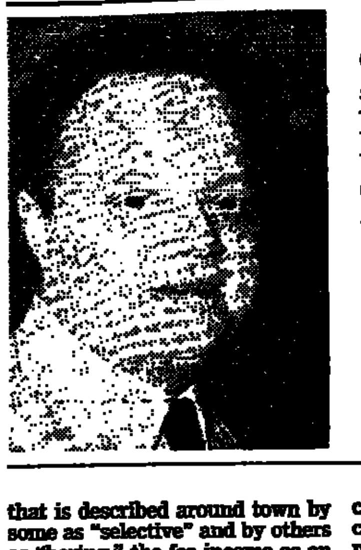
The bank itself is likely to be a small affair – it aims to attract L50bn (US$40m) of deposits in the first 12 months and will be staffed by just 22 people. But, for Mr Vitale, who since founding Euromobiliare in 1973 has been one of the maverick breed of internationally oriented Italian investment bankers, it is, by his own admission, "an emotional moment." And for the corporate market it could represent a novelty.

"The goal is to be like Brown Brother Harriman. We want to be a boutique bank in the Italian market, aimed mainly at corporate and high net-worth individual clients," Mr Vitale explains. The idea, he says, is to mix corporate banking with private banking. And among the more lucrative fee-earning areas will be Banca Euromobiliare's ability to act as an agent bank for foreign investors wishing to clear their share transactions on the Milan bourse. This will also save Euromobiliare's securities department the costs it has paid until now to outside agent banks.

There is, however, a problem for the new Milan bank: with the Italian stock exchange in a phase that is described around town by some as "selective" and by others as "boring," the fee income as an agent bank will be a mere shade of what it might have been during the great boom of 1984 – 1986. What is more, the rise of new mutual funds in recent years, including those managed by Euromobiliare, has given savers an alternative to bank deposits. And corporate lending in Italy has become a cut-throat business.

Euromobiliare, hit by write-downs on its share portfolio and a substantial drop in brokerage fees, recently reported a L5.5bn loss for the six months to last December, against a L9.9bn profit the previous year. The investment banking company will probably be in the red for the year ending this June, compared to a L13bn profit in the year to June 1987.

So is this really a good time to be starting up a new bank? "Not the best," admits Mr Vitale, "but I believe that you have better chances if you start out in a difficult period. It means you have to put a lot more effort and energy into the venture precisely because it is not easy." And the cherubic Milanese financial man adds that the bank "represents the logical evolution" of Euromobiliare, which is already one of the market leaders in mergers and acquisitions, corporate finance and Eurobond trading.



Guido Vitale (right) is aiming Banca Euromobiliare at corporate and high net-worth individual clients. The bank, he says, is a logical evolution for the parent company.

Guido Vitale does have a couple of aces up his sleeve, although he prefers not to dwell on them. The first is to be found in his close ties to three of Italy's leading *condottieri* in the business world - Mr Carlo De Benedetti, Mr Raul Gardini and Mr Silvio Berlusconi. These three gentlemen, with their respective empires based on Olivetti, Ferruzzi-Montedison and private television, also happen to be three of Euromobiliare's most important shareholders – each has 10 per cent of the investment house.

Banca Euromobiliare itself is to be 99 per cent owned by Euromobiliare and one per cent by Mr Vitale. But the ties to these powerful tycoons should provide a certain amount of spin-off business for Banca Euromobiliare. Indeed, it was Mr Vitale who in 1978 engineered the purchase of Mr De Benedetti's first share stake in Olivetti. The same Mr Vitale swooped in on Mr De Benedetti's behalf in early 1985 to buy control of Buitoni, just as Mediobanca, the establishment merchant bank, thought it was closing the sale of Buitoni to BSN Gervais Danone of France.

Thus, it comes as little surprise that Euromobiliare's newest shareholder will be France's Dumenil Leblé, the investment bank in which Mr De Benedetti's Cerus has a 26.5 per cent stake. Dumenil Leblé will take a 15 to 20 per cent stake this summer.

Euromobiliare's ties to Ferruzzi's Mr Gardini may not be what they once were - Mr Gardini has taken most of his business to Mediobanca. But meanwhile Euromobiliare's portfolio management arm, Cofindi, has 2,000 wealthy clients with L600bn of funds. More spin-off potential for the bank, reasons Mr Vitale.

The biggest question, therefore, will be whether Banca Euromobiliare is able, in a difficult and competitive market, to catch the fancy – and business – of a broader range of new clients rather than depending too much on its "captive" market. This question, as from Monday morning, will be wide open.

Frankfurt unit for Manufacturers Hanover

BY HAIG SIMONIAN IN FRANKFURT

BARELY SIX months after last year's crash, Manufacturers Hanover is opening the first new investment banking operation in Frankfurt.

The new firm, which employs about 25 professionals, hopes to join the West German Federal Government's bond issuing consortium within the next four to six weeks, according to Mr Bernd Müller, its joint chief executive.

The operation, which partially comprises functions transferred from the bank's existing Frankfurt branch, has been on the drawing board for almost a year. But Manufactuers Hanover remains committed to investment banking in Germany despite the crash, according to Mr Douglas Ebert, its senior executive in charge of investment banking in New York. "Frankfurt clearly was a very significant hole in our global network," he says.

The new German subsidiary, which has already received the necessary licences and will officially start business early next month, will concentrate on new issues and trading, and corporate finance to begin with. Portfolio management could follow, as will a stronger role in mergers and acquisitions.

●Morgan Guaranty, one of the oldest-established US banks in Germany, has shifted a major part of its German business from its Frankfurt branch to J.P. Morgan, its wholly-owned subsidiary incorporated in Germany which has hitherto concentrated on investment banking.

Though largely a cosmetic move, the bank says its decision to choose a German incorporation reflects its desire to underline its "long-term commitment" to Germany.

The capital of the German subsidiary has been increased to DM300m from DM23m, while that of the bank's branch has been reduced to DM50m.

Texas Air in Federal safety probe

By Our New York Staff

TEXAS AIR, the biggest US air carrier whose operating subsidiaries include Eastern Air Lines and Continental Air Lines, has been subjected to an extraordinary investigation by the Federal Government to determine whether its management is "fit to run an airline."

The Department of Transport's decision to launch the special probe, which coincided with the announcement of a $823,000 fine against Eastern Air Lines for safety violations, appeared to be the culmination of a long series of legal, financial and regulatory blows for Texas Air, one of the fastest growing and most controversial public companies in US history.

Last month, a plan to transfer some of Eastern's assets to the non-unionised Continental was blocked by a court challenge by Eastern's unions.

This jeopardised further the company's poor image, which had already suffered from service problems and an effective public relations campaign by Eastern's unionised pilots, alleging that Mr Frank Lorenzo, Texas Air chairman, was taking risks with passenger safety by cutting costs and failing to maintain his aircraft.

This campaign culminated with an exposé last week on ABC television and a demand from 130 members of Congress for a government investigation.

The DoT said it was concerned about a "continuing pattern of fines and safety violations" at Eastern, as well as the "apparent insensitivity" of some Eastern officials to Federal Aviation Administration safety requirements.

An official added that Continental would also be included in the investigation because of the close links between the financing and management of the two companies and the DoT's "questions about the financial viability of Texas Air as a whole."

London arm of US bank reorganises

By Stephen Fidler, Euromarkets Correspondent

SECURITY PACIFIC Hoare Govett (Holdings), the London-based international merchant banking arm of the Los Angeles bank, Security Pacific, has reorganised senior management for the second time in less than five months.

Mr Peter Voss, 41, was appointed president and chief executive of the firm, which announced a reorganisation in November after buying out the minority shareholders of Hoare Govett, the UK stockbroker.

Mr Voss was formerly president and chief executive officer of Security Pacific Investment Group, the capital management and investment advisory arm of the bank.

He takes over from Mr Dean Lundell, who has been appointed as vice-chairman and will concentrate on developing the firm's corporate finance business. Mr Richard Westmacott will remain as chairman.

The London operation has suffered some setbacks since the stock market crash, in which it incurred significant losses. Hoare Govett's chief executive, Mr Anthony Greayer, and other executives resigned at the time of the November reorganisation.

Mr Voss said yesterday that he had not arrived "with an agenda to reduce or get out of any businesses." He said that the bank's international merchant banking business, which also includes affiliates in Australia and Canada, was close to target and profitable in the first quarter.

Nevertheless, reduced volumes in many markets worldwide meant that the field would stay highly competitive, and he was looking to "tighten the focus on our principal businesses."

Indian groups seek ratings

INDIAN COMPANIES have begun to seek credit ratings for their bond issues to try to increase investor confidence, Reuter reports from Bombay.

The country's first credit agency, the Credit Rating Information Service of India (CRISIL), opened in January and rated its first bond, a Rs650m issue for the state-owned Indian Petrochemicals Corporation, in March.

Merchant bankers estimate that Indian companies raised about Rs36bn from the public through equity and debenture issues in calendar 1987 compared with Rs45bn in 1986.

Dealing rooms in turmoil after US trade figures

BY DOMINIQUE JACKSON

EUROBOND DEALERS who had been waiting for some action on the release of the US trade statistics yesterday got more than they bargained for when a larger-than-expected $13.83bn deficit for February was announced.

Dealing rooms, where recent activity has been virtually confined to professional switching between currencies and maturities, were thrown into turmoil as the unexpectedly large number sent the dollar and US Treasury bond prices tumbling.

"The market had taken a few rumours of a single digit deficit too seriously and went into a state of shock when the real numbers came out," commented one trader.

Eurodollar bond prices saw falls of as much as a full point in an initial scramble by investors to off-load dollar-denominated securities but most issues recovered somewhat towards the end of the day.

"There was some comfort in the fact that the central banks jumped right in with some heavy, co-ordinated intervention but a tightening of the Fed's (US Federal Reserve's) credit policy is now clearly on the cards," a Eurodollar specialist said.

US Treasury prices were badly hit but dealers noted that prices for Eurodollar bonds held up much better, finishing around ¾ points lower in 10-year maturities and ½ to ⅝ lower at the shorter end of the market.

However, most dealers agreed that this apparent resilience was more a result of technical factors than of any underlying strength in the sector.

The dollar's recent weakness has meant most traders' bond inventories are extremely low and selling pressure is consequently virtually absent. Many dealers had short positions ahead of the trade figures and took advantage of the price drop to recoup their positions.

In the light of yesterday's developments, many syndicate managers said Bankers Trust International had been extremely lucky in the timing of Wednesday's deal for the European Community. Despite the falls in the secondary market, the deal was holding up well, bid at a discount of 1⅛, equal to its total fees.

A syndicate manager at a house not involved in the deal said Bankers Trust had been fortunate to find a gap in demand for the issue. "The success of this issue against all the odds illustrates graphically that the only interest in the Eurodollar sector at the moment is for short-dated paper which is fairly priced," he added.

Nervousness about the dollar had an adverse effect on the

INTERNATIONAL BONDS

Canadian dollar sector where 10-year government bonds slid by ¾ points, pulling Eurobonds in their wake. This tightened conditions for Wednesday's C$75m issue for Commerzbank which was just managing to remain within its fees.

Elsewhere in non-dollar currency sectors, the strength of the yen and strong retail interest boosted Euroyen issues. This prompted IBJ International to launch a Y25bn five-year 4¾ per cent issue for Banque Francaise du Commerce Exterieur priced at 101⅜.

The issue is guaranteed by France but dealers said the response to the deal had been slow. The sector is suffering from oversupply, particularly in five-year maturities and the issue had the added disadvantage of following a highly successful Y50bn issue by Sweden earlier this week. It was bid at a discount of 1⅞, locked on its total fees.

The UK gilt-edged market also took an early knock from the dismal US trade performance but the strength of sterling and buoyancy in sterling cross-rates enabled the sterling bond markets to decouple from US Treasuries later in the day. This prompted two Eurosterling issues.

UBS Securities led a five-year £100m deal for IMI Bank International, carrying a 9⅞ per cent coupon and priced at 101⅞, while Shearson Lehman brought a financing subsidiary of American Express, its parent, to the market with a £50m 9⅞ per cent five-year deal priced at 101⅞.

Eurosterling specialists were not surprised at the timing of the deals, given the resilience of the pound and the steadiness of the gilt market. The American Express issue was generally more popular, given its well-known name. The spread over comparable gilts at launch was 80 basis points.

On the IMI issue, the spread was 38, deemed tight by many syndicate managers. However, the guarantor is Italian state-owned financial institution, Istituto Mobiliare Italiano, a Triple A rated credit. The lead manager said good demand for the bond had been identified from Italian domestic investors.

Societe Generale Australia, with the guarantee of the French parent, made a A$50m five-year issue led by Westpac Banking Corporation, with a 12⅛ per cent coupon and priced at 101⅞. These were similar terms to Wednesday's A$75m deal for BNP.

However, Societe Generale's smaller size and its standard coupon, compared to a long first coupon on the BNP deal gave it the edge and by the end of the day was well bid at a discount of 1⅞, within its total 2 per cent fees.

The US trade figures had little immediate effect on bond prices in West Germany although losses on the news were partially recouped by short-covering later in the day.

The sole issue was a five-year 5 per cent DM75m deal at 100⅞ for IKB International, led by the parent Industriekreditbank with no underwriting group.

Swiss bond prices firmed marginally across the board continuing a firmer trend seen since key Swiss interest rates were cut last week. Finance for Danish Industry tapped the market through Kredietbank with a SFr75m 4⅞ per cent issue priced at 100⅞ and maturing in 1995. The borrower's name was expected to ensure reasonable demand. A recent seven-year 4⅞ per cent SFr100m issue for American Express traded for the first time at 101 at a slight premium to its 100⅞ issue price.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96⅛	96⅝	0	0	8.63
All Nippon Air 9⅜ 97	100	†97¼	97¾	+0¼	+0¼	9.78
American Brands 8⅞ 92	150	†99½	100	+0⅛	+0½	8.92
A/S Eksportfinans 7⅞ 93	100	†94½	95	+0⅛	0	8.83
A/S Eksportfinans 7¼ 92	150	95½	96⅛	+0⅛	+0⅛	8.60
Barc. Bk Fin. 10¼ 89	200	†103	103½	+0⅛	0	8.04
Belgium 9¼ 92	400	†101⅞	101⅞	+0⅛	0	8.64
British Telecom 7⅝ 96	250	89⅞	90⅛	-0⅛	+0⅛	9.35
Cd. Nat. Telecom 8½ 95	160	99⅜	100⅛	0	+0⅛	8.49
Canada 9 96	1000	99⅞	100⅛	-0⅛	+0⅛	8.97
Canadian Pac 10⅛ 93	100	†104⅛	105⅛	0	0	9.40
C.C.C.E 7⅛ 91	113	†96	96½	+0⅛	+0⅛	8.37
C.N.C.A 7¼ 91	150	95⅜	95⅞	-0⅛	-0⅛	8.67
Coca-Cola Ent. 8¼ 90	100	†100⅜	100⅞	-0⅞	-0⅞	7.90
Credit Lyonnais 9 91	200	101⅛	101⅝	+0⅛	0	8.38
Credit National 7⅜ 92	100	95⅝	96⅛	-0¼	-0⅛	8.63
Credit National 7⅛ 91	150	96⅛	96⅝	+0¼	+0¼	8.42
Denmark 7⅛ 92	500	94⅞	95⅛	+0¼	+0¼	8.66
Denmark 8¼ 91	300	*†100	100	0	0	8.23
E.E.C 7 91	100	95⅛	95⅝	-0⅛	0	8.42
E.E.C. 7¼ 93	250	93⅞	94⅜	-0½	-0½	8.77
E.E.C 8¼ 96	100	†94	94½	-0⅛	-0¼	9.27
E.I.B. 7⅝ 93	100	94½	95	-0¼	-0⅛	8.82
E.I.B. 9⅝ 97	150	99⅝	100⅛	-0⅝	-0⅛	9.38
Elec.De France 9 98	200	97	97½	-0⅛	-0⅛	9.43
Finland 7⅞ 97	200	†91	91½	+0½	+0½	9.37
Finland 7½ 93	200	94½	95	+0¼	+0⅛	8.74
Fins.Exp.Cd. 8½ 92	200	99⅛	99⅝	-0¼	-0¼	8.69
Ford Motor Credit 8 91	250	98⅛	98⅝	-0⅛	-0⅝	8.64
Gen Elec Credit 10¼ 00	200	101⅞	102⅜	-0⅜	-0¼	9.93
G.M.A.C. 8 89	250	99⅝	100	-0⅞	-0½	8.24
G.M.A.C. 8¼ 89	200	99⅞	100⅜	-0⅜	-0⅛	8.20
Hoesch 8¼ 97	100	†93⅞	94⅛	+0¼	+0¼	9.26
Italy 9 90	1000	101½	102	-0¼	-0⅛	8.15
Liberty Mutual 8½ 96	150	*†96⅛	96⅝	0	0	9.13
L.T.C.B of Japan 8 91	100	99	99½	+0⅛	+0⅛	8.24
L.T.C.B. of Japan 8 97	200	89⅝	90⅛	-0⅜	-0¼	9.76
Mercds-Benz Cd. 8½ 95	100	98	98⅝	+0¼	+0⅛	8.87
Metropolis Tokyo 9½ 93	200	102¼	102¾	0	+0⅛	8.81
Mitsubishi fin. 7⅞ 93	100	†94¼	94⅝	+0⅛	+0⅛	9.17
Norway 8¼ 93	900	100⅛	100⅝	0	+0⅛	8.64
Pepsico Inc 7⅛ 93	200	†93⅝	94⅛	-0⅞	-0¼	8.92
Portugal 8¼ 91	300	98½	99	+0⅛	+0⅛	8.74
Prudential Crp. 8⅞ 94	125	99½	100⅛	-0⅜	-0⅛	8.79
Qantas Airways 10⅜ 95	140	104	104⅜	-0⅛	-0½	9.54
Saab Scania 9½ 91	125	†103¼	103¾	+0⅜	+0¼	8.06
Saskatchewan 10¼ 92	100	106⅛	106⅝	0	0	8.73
State Bk S Aust 9¼ 93	100	100⅛	100½	-0⅝	-0⅛	9.17
Swedish Expt.Crd.7¼ 91	100	†96½	97	+0⅛	+0½	8.29
Swed Exp Cred 10 92	100	†104½	105	+0¼	+0½	8.57
Sweden 7 91	250	96⅜	96⅞	+0⅛	+0½	8.13
Sweden 7 92	250	†95⅛	95⅛	+0¼	+0⅛	8.41
Sweden 8¼ 96	200	97	97½	-0½	0	9.25
Sweden 8½ 92	200	†99⅞	99⅞	-0⅞	-0⅝	8.58
Toyota Mtr. Cred. 9 90	200	†101⅞	102⅛	+0⅜	+0⅛	8.05
Victorian Rep 11⅝ 92	150	108⅛	108⅞	-0¼	-0¼	8.98
World Bank 7 92	300	†95⅝	96⅛	0	+0¼	8.30
World Bank 9 97	300	98⅛	98⅝	-0⅜	-0¼	9.25
Yasuda Trust Fin 8½ 93	100	96⅞	97¼	+0⅛	0	9.24

Average price change... On day -0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	103⅛	103⅞	+0⅛	+0⅛	5.36
Arts Fin.SVS 5⅞ 92	100	†100¼	100⅞	0	-1½	5.72
Bank of Tokyo 5⅞ 93	100	†103½	104	+0¼	+0½	4.86
Central BK. Turkey 7 92	200	†105	105½	-0⅛	+0⅛	5.68
Commerzbank o/s. 5⅞ 93	300	*†101⅛	101⅞	0	0	4.97
Degussa Int. 6⅛ 97	200	100⅞	101⅛	0	+0⅛	5.94
E.I.B 5½ 96	150	96⅞	97⅛	0	+0⅛	5.94
E.I.B 6 97	300	100⅞	101⅝	0	+0⅛	5.81
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅞	103⅛	+0¼	-0⅛	4.64
Belgium 4⅝ 94	45	98⅛	98⅝	+0⅞	-0⅛	4.96
Canada 4⅜ 92	80	99¼	99⅝	+0⅛	-0¼	4.54
Elec. De France 5⅛ 94	20	101	101⅛	+0⅛	-0⅛	4.90
Ireland 5⅛ 93	30	100⅛	100⅝	0	-0⅛	4.98
Norway 4⅞ 92	60	98⅜	98⅞	0	-0½	4.67
Rep. of Italy 5⅛ 92	150	104⅛	104½	+0⅛	-0¼	4.48
Sweden 4⅞ 92	50	98⅛	99⅛	+0⅛	-0⅛	4.64
World Bank 5½ 92	50	103⅞	104⅛	0	-0⅛	4.47

Average price change... On day +0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	101⅞	102⅜	+0⅛	+0⅛	9.66
Alg. Bk. Ned. 5½ 92 FL	150	100¼	100¾	+0⅛	+0¼	5.35
Amro Bank 6⅛ 92 FL	150	102⅛	102⅞	0	-0¼	5.54
Barc. Aust. 14 91 A$	20	103⅛	104⅛	0	+0⅛	12.47
Barc. Bk. 10¼ 97 £	250	100⅞	101⅜	+0⅛	+0⅝	10.04
British Airways 10 98 £	100	98⅞	99⅜	+0⅛	+0⅝	10.14
C.I.B.C.Mort.10¼ 93 C$	100	†101⅛	102⅛	0	-0⅛	10.19
Coop.Cr.Rabo.6⅛ 93 FL	100	102⅛	102⅜	0	0	5.63
Coop.Cr.Rabo.6 92 FL	200	101⅛	102⅛	-0⅛	-0⅛	5.45
Denmark 7¾ 92 ECU	100	102⅞	103⅛	+0⅛	+0⅛	6.77
DG Fin. Co. 13¼ 90 A$	50	*†103⅛	103⅞	0	+1	11.77
DG Fin. Co. 14 90 A$	75	*†102⅛	102⅞	0	+0⅛	12.47
Deutsche Bank 9⅞ 97 £	75	†101	101½	0	+0⅛	9.66
Deut.Bk.Aust.12¼ 95 A$	70	103⅛	104⅛	+0⅛	+0⅞	11.86
Dresdner fin.13⅞ 91 A$	100	†105⅛	105⅞	0	+0⅛	11.64
E.I.B 10⅛ 98 C$	130	†100⅛	100⅝	0	+0⅛	10.06
E.I.B 8⅝ 93 LF	1000	†102½	103½	0	0	7.84
Euratom 7⅝ 97 ECU	145	98⅛	98⅝	+0⅛	+0½	7.65
Eurofima 7½ 92 FL	50	107	108⅛	-0⅛	0	5.35
Eurofima 17½ 89 NZ$	50	†103	104	0	-0⅛	14.66
Fed.Bus.Dv.Bk.9¼ 92 C$	75	†100	100½	0	-0⅛	9.66
Ford Cr.Can.10¼ 93 C$	100	†103⅛	103⅞	0	-0⅛	9.79
Gillette Can. 9⅝ 93 £	70	98½	99	0	+0⅛	9.95
G.M.A.C. 9¼ 92 C$	75	98½	99⅛	+0⅛	-0⅛	9.62
G.M.A.C Aus. Fin.14 90 A$	50	103⅛	103⅞	+0⅛	+0⅛	12.05
Halifax BS 10⅜ 97 £	100	101⅛	101⅜	+0⅛	+0⅞	10.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Secs. 6¾ 02 £	6/87	6.72	98½	99½	-0⅛	20.74
MCA INC 5½ 02 US$	9/87	69.62	83	84	+0⅛	26.03
Minolta Camera 2¼ 94 DM	2/86	1004.	99¼	100⅛	+0⅛	21.72
Mitsui trust 2⅝ 01	10/86	1909.	153⅛	154⅛	+0⅛	0.17
Next PLC 5⅛ 03 £	11/87	4.3	103⅛	104⅝	-0⅛	65.22
Nishi Nipp.Bk.2⅞ 03 US$	4/88	804.	105⅛	106⅞	0	6.80
Omron Tateisi 2⅝ 02	4/87	1310.	246½	248	+0½	0.48
Ranks Hovis 4⅞ 03 £	1/88	3.5	108⅝	109⅝	+0⅝	15.82
Redland 7¼ 02 £	1/87	5.4	96⅛	97⅛	-0⅛	23.51
Texas Inst. 2⅞ 02 US$	9/87	82.87	81¼	82¼	0	24.89
W.R. Grace 6⅛ 02 US$	9/87	42.12	85½	86½	-1⅛	31.74

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Evered in line with City expectations at £25.5m

BY NIKKI TAIT

Evered Holdings, the industrial and building products company headed by the Abdullah brothers, yesterday announced a jump in pre-tax profits from £10.6m to £25.5m in 1987 – broadly in line with City forecasts.

These are the first full-year figures since Evered acquired construction and healthcare group, London & Northern, for £100m in April 1987, a deal which effectively doubled the company's size. Also included are six months-worth of profits from Hallite which Evered acquired in June, and five months from Mapplebecks, a small brass rolling mill.

Sales in 1987 rose from £97.5m to £231.8m and earnings per share increased by 10.5 per cent to 13.7p. Yesterday, the shares eased 5p to 120p.

Evered says that the integration of L & N is now complete – following the sale of the housebuilding and building contracting activities to Raine (in exchange for Raine's UK-based quarry business) earlier this year. In 1987, the L & N quarry operations, together with Tractor Shovels, contributed trading profits of £11m on sales to £42.7m, while discontinued activities - which included L & N's housebuilding businesses - produced £3.86m on sales of £47m.

During the year, Evered paid interest of £4.96m (£2.4m), while income received together with Evered's share of profits in related companies totalled £3.64m. Included in the latter figure is a £1.09m profit which the company made on the sale of a 20 per cent stake in CI Group.

●comment

If the London and Northern bid was scarcely the most straightforward way of adding a major new leg to the business, most analysts believe the result looks broadly desirable. Although Evered announced 15 per cent organic growth yesterday – ahead of some expectations – prospects for expansion on the building and construction products side are seen as offering a good deal more scope. The potential niggles are the US dependence – currently supplying around 30 per cent of earnings, though matched by assets – and the rising tax charge. On the latter, perhaps 20 per cent can be expected in the current year, though the figure will probably rise thereafter. A further, bigger question is how quickly Evered can dispel its credibility problem – something the group is clearly addressing. At face value, estimates ranging from £32m to £37m for 1988 and a prospective p/e of 7.5-8.5 should make the shares inexpensive. But Evered may have to demonstrate over time that its commitment to building products – and management ability in this area – is more than a bright idea before the rating really picks up.

BAT proxy gets go ahead

BY NIKKI TAIT

THE NEVADA Federal court has allowed BAT Industries, the British conglomerate which is waging a $4.5bn bid campaign for US insurance company Farmers Group, to go ahead with its proxy solicitation of Farmers stockholders over a resolution to be put at the company's annual meeting next month.

However, the court has ruled that BAT should clarify one part of its proxy statement.

BAT, through its American Batus subsidiary, which is making the bid, intends to propose a non-binding resolution which recommends that the Farmers' board should reconsider its decision not to negotiate with Batus. The meeting is to be held on May 20.

Farmers, amongst a number of complaints, maintained that Batus was misrepresenting the position by implying that a vote in favour of the resolution would indicate shareholder support for the sale of Farmers to Batus.

"The court stated that it would be more precise to rephrase the characterisation of the effect of the Batus resolution to conform to the literal wording of the resolution", said a Batus statement yesterday. It added that it was pleased with the overall outcome of the hearing.

Farmers, however, pointed out that the judge had placed Batus on notice that if it failed to clarify the mis-statement he would "seriously consider enjoining the proxy solicitation."

The court action over the proxy solicitation has been one of background elements in the bid battle. More attention has focussed recently on Farmers statement that it was willing to meet Batus, although it asked the bidder to make clear whether it was prepared to raise its bid beyond the current $63 a share and added that it it had made no decision to sell the US company. Details of a confidentiality agreement under which Farmers would make certain information are still a matter of negotiation between the two companies.

Toye moves ahead to £420,000

Toye & Company, regalia and jewellery company and property manager, reported only a small improvement in pre-tax profits for 1987. They rose £20,000 to £420,301 after depreciation of freehold property values. Turnover rose from £7.46m to £7.93m.

A single final dividend of 6p (5p) and earnings per share came in at 12.82p compared with 11.93p after unchanged tax of £132,000.

The directors said that reasonable progress had been made, and the high level of orders indicated further improvement for the current year.

Horace Cory ahead

Horace Cory, chemical colour maker, lifted pre-tax profits by 8 per cent in 1987 from £249,579 to £269,684 on turnover up 43 per cent to £6.79m against a previous £4.74m.

A final dividend of 0.4p (0.35p) is recommended, raising the total for the year by 0.1p to 0.75p. Earnings were 0.93p (0.84p) after tax of £95,423 (£91,843).

The pre-tax result was after higher interest received of £12,832 (£2,563).

Billam in second half lift

AT THE half-way stage J. Billam, precision sheet metal engineer, was showing a £46,000 loss, but a recovery during the second half has enabled it to report a £11,889 profit before tax for 1987. This compares with £312,803 profit in 1986.

Turnover in the period under review rose 20 per cent from £2.53m to £3.03m. Earnings per share, however, came out at 1.3p (13.7p). A final dividend of 2.4p is recommended, making a total of 4p (3.962p).

The chairman hopes to make an announcement relating to the company's expansion and acquisition policy at the annual meeting.

Goodman back in black

Goodman Group, clothing manufacturer and retailer, reported pre-tax profits of £143,000 for the nine months to the end of January 1988 compared with a loss for the previous 12 months of £43,000.

Turnover rose to £9.33m (£5.3m) and all the profit was achieved in the retail division, created after the acquisition of GMG Holdings during the period, where the trading figure was £438,000. The loss in the manufacturing division rose from £72,000 to £192,000.

The manufacturing division is being sold to its management for £940,000.

Earnings per 5p share were 0.7p (0.4p losses) and the directors are recommending a return to the dividend list with a final payment of 0.25p.

Adwest expands 28%

RESTRUCTURING costs are still affecting profitability at Adwest, Berkshire-based diversified engineer and property developer.

However, the group reported a 28 per cent expansion in pre-tax profits to £4.15m in the six months to end-December and Mr Frank Waller, chairman, said that order intake was generally buoyant and augured well for the full year.

Group turnover fell slighty from £48.13m to £45.51m. Tax took £1.46m (£1.14m) and minorities £9,000 (£59,000).

The interim dividend is raised to 2.03p (1.8p).

McKechnie profits up 36% at £15.95m

By Vanessa Houlder

Continued growth in its UK businesses helped McKechnie, the plastics and metals group, increase pre-tax profits by 36 per cent from £11.72m to £15.95m for the six months to 31 January 1988.

The results were at the top end of City expectations although the shares dipped 6p to 325p.

Dr Jim Butler, chairman, said McKechnie was on track for another record year. He saw no signs of any general cut back of forward requirements and remained confident that the company could achieve growth in its existing businesses and through acquisition.

About 80 per cent of the growth in profits came in equal parts from organic growth and acquisitions, with the remainder stemming from disposals. During the period, the company spent £25m acquiring the US Plastic Container Corporation, the UK Anson Plastics and Precision Moulded Plastics and in New Zealand, the outstanding 50 per cent of the share capital of Fluid Control.

Profits in the metals division were down from £4.8m to £3.8m, following the disposal of the South African Macdem group. Profits from plastics moved ahead from £3.1m to £4.4m. Consumer division profits advanced from £3.1m to £5.3m while specialist division moved up from £1.8m to £2.5m.

Earnings per share, before extraordinary items, were 13.6p (11.3p). An extraordinary profit of £10.7m represents the surplus on sales of land less provisions for closure of operations. A lift in the interim dividend from 3.3p to 3.8p per share has been proposed.

● comment

With its low exposure to the US and its generous yield, McKechnie has been a comfortable share to hold in these uncertain times. But more than that, its attractions stem from the vigour with which it has moved away from metal bashing into specialist plastics and consumer products which will soon, McKechnie hopes, account for nearly two-thirds of its business. Progress in the future will come both from organic growth - in part, the result of its £20m investment programme - and from acquisitions. In particular, the company would like to lift its interests in the US to around 20 per cent. That said, gearing of 40 per cent and a determination not to dilute earnings per share, may act as a constraint. Assuming McKechnie makes £35m in the full year, it is on a reasonable p/e of 11.

Fleming Japanese

Fleming Japanese Investment Trust increased its net asset value per 25p share from 202.1p to 250.4p in the six months to March 31 1988. Gross revenue was £1.04m (£837,935) and revenue before tax £171,175 (£44,229). Earnings per share were 0.07p (0.03p). No interim dividend is being paid.

Ward White bids for Stanley

Ward White, the acquisitive retailer which owns Halfords and Payless, yesterday launched a takeover bid for A.G. Stanley Holdings, the DIY shops group which operates under the names Fads, Decor 8 and Home Charm, writes David Waller.

The offer, which follows discussions between the two parties earlier this week, was swiftly rebuffed by Stanley which stated that it wished to remain independent.

Ward White is offering 23 new convertible preference shares for every 10 ordinary shares in Stanley, valuing the company at £103m. There is a fully underwritten cash alternative – the first since the stock market crash in October – which values Stanley at £92.7m.

A link-up between Payless and Stanley would consolidate Ward White's position as the third largest company in the UK DIY market after B&Q and Texas. It would also give it a strong position in the high street DIY market, where Stanley is the UK market leader with 500 stores.

Mr Philip Birch, Ward White's chairman, said that he had hoped to secure the agreement of Stanley's management for the bid. He hopes to create "a new force in decorative retailing".

He claimed benefits would come from an accelerated store-opening plan, computerisation and a reorientation of Stanley's sales away from low margin products such as paint and wall-coverings.

Mr Roger Regan, appointed managing director in 1985 after the company had suffered five years of limited growth in the face of competition from out-of-town stores, said that this process was already underway.

Payless, acquired by Ward White in April 1986, generated sales of £184.3m last year from around 90 outlets, 57 of which are large, out-of-town units.

Stanley's turnover last year was £83.8m, on which it made pre-tax profits of £5.28m.

Stanley's shares closed up 62p at 290p, compared to the 281p value of the share offer and the 253p cash alternative. Ward White's shares fell 11p to 324p.

A spokesman for Williams Holdings, the industrial conglomerate which holds 25.7 per cent of Stanley as a result of its purchase of the Berger paint group last year, said it would await the offer document before determining a course of action. It has previously indicated that it is not interested in acquiring control of Stanley.

Stanley is advised by Phillips & Drew and Ward White by County NatWest.

See Lex

David Waller on the move to add central sites to the Payless activities

Acquisitive retailer back in the high street

IT WAS ONLY on Tuesday that Mr Philip Birch, chairman of the much-changing Ward White, suggested that the group had achieved a measure of corporate tranquillity. So bad was the equity market, he said, that takeovers were almost out of the question.

Almost. Yesterday, as the group unveiled the terms of a £103m bid for A.G. Stanley, analysts expressed only mild surprise that Mr Birch was back on the takeover trail again. As one broker quipped, if ever the Ward White share price rises for a month or two, a bid can be expected soon afterwards.

To be scrupulously fair, Mr Birch has not bought anything involving the issue of new shares since December 1986 when he won a fierce battle for control of LCP Holdings. But the spate of large acquisitions he made between 1984 and 1986 – Halfords, Maynards, Owen Owen and Payless DIY – still linger in the memory.

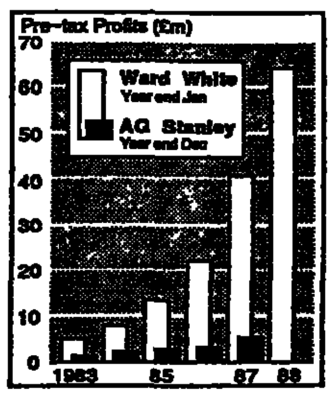
These acquisitions transformed Ward White. At the beginning of the decade, it was a rather sleepy manufacturer of shoes and boots. Now, with the £35.5m sale of its shoe businesses expected by the end of the month, Ward White derives the bulk of its profits – expected to be £76m this year – from retailing.

After an abortive foray into toyshops with the acquisition of Zodiac in November 1985 (sold this week for £7.4m), its energies are focused on three main areas: autopart sales in the US through Whitlock and in the UK through Halfords. The third area is DIY, where Ward White occupies the third place in the UK market with its chain of 93 Payless stores.

With sales of £215m last year, and selling space of 2m sq ft, Payless is much smaller than the two majors, B & Q – which generated sales of £516m last year – and Texas, with sales of £390m. But like the two giants, Payless has grown since the turn of the decade by opening large out-of-town stores.

These have been the catalyst to the rapid expansion of an industry which has grown from 1.9 to 2.9 per cent of all retail sales since 1980, and is now worth an estimated £7bn a year. Their share of the market has risen from 18 per cent at the turn of the decade to an estimated 55 per cent in 1986. The boom is reflected in Payless profits: these have risen from just £76,000 in 1981 to £21.8m last year.

The high street has suffered badly over the period. This is illustrated by Stanley's performance in the early years of the decade. With sales growth only in line with inflation, pre-tax profits dwindled from £1.79m in 1980 to £1.62m the following year and slumped into losses of £31,000 in



1982. The subsequent recovery was initially modest, but the process has accelerated following the arrival of Mr Roger Regan as managing director in 1985. Pre-tax profits for 1987 were £5.28m, nearly twice the result for 1985.

The high street is dominated by Stanley, with more than 500 stores, sales of £118m last year and selling space of 1.4m sq ft. Mr Regan has achieved this through acquisition. Jocoa was bought for £26.5m last year and, this January Homecharm was acquired from Harris Queensway for £7.5m.

Aquisitions apart, Mr Regan's strategy has been to concentrate on the "softer" end of the DIY market, selling wallcoverings and paint and the higher margin products such as lighting, ceramics and fabrics. The company's stores have been designed to appeal to women

Some 75 per cent of the company's sales derive from the slow-growth area of wallpaper and paint. This is set to fall as Mr Regan sells more lights and fancy plantpots, and the group is well positioned to benefit when the out-of-town market reaches saturation point, perhaps in the early years of the next decade.

For Ward White, Stanley would be an excellent hedge against any downturn in growth at Payless. And in the short term, it hopes to apply its standard cost-cutting/efficiency measures. The larger company thinks that under its management, Stanley would make pre-tax profits of at least £12m this year, againsts brokers' estimates of £8.5m. This would bring the exit p/e on the offer price down from 22 to 16 times 1988 earnings.

Possibly dilutive to Ward White's profits this year, this is pricey by another measure: Mr Birch is offering some £200,000 for each of Stanley's stores, whereas Mr Regan paid only £48,000 for each of the Homecharm stores and £150,000 when he bought Jocoa.

At 291p last night, way above Ward White's cash offer of 253p, Stanley's share price reflects hopes that Mr Birch might be willing to be more generous.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Adwest ....int	2.03	-	1.8	-	9.4
Avis Europe ....fin	5.2†	July 22	3.8	9	3.8
Ayrshire Metal ....fin	1.5	-	nil	2	0.5
Barr & WA Trust ..fin	8	-	6	11	8
Billam (J) ....fin	2.4	-	2.4	4	3.96
Britannia Group ...fin	2.5	-	-	2.5	-
Brit. Dredging ....fin	3	May 20	3	5	4
Connells Est. ....fin	5.5	-	4.4	8	6.4
Cory (Horace) ....fin	0.4	-	0.35	0.75	0.65
Davis (Godfrey) ....fin	4†	-	4	6.1	5.26‡
Goodman Bros ....fin	0.25	–	nil	0.25	nil
Evered Holdings ...fin	2	July 1	1.63*	3.25*	2.5*
Fitch & Co. ....fin	5.5†	May 27	4.8	8	7
Great Southern §....fin	4	June 8	3.5	6	3.5
McKechnie ....int	3.8	June 3	3.3	-	11.5
Quarto Gp § ....fin	3	June 3	-	4.5	-
RTZ ....fin	8.3	-	6.6♥	11.5♥	9.4♥
Rural Planning §....fin	1	-	-	1	-
Thurgar Bardex ....fin	1.5†	-	1.2	2.25	1.8
Toye ....fin	6	-	5	6	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Excludes special dividend. ♥Equivalent after allowing for subdivision of shares.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interim- Chrysalis.

Finals- Blue Circle Industries, Dickie Heel, Oilfield Inspection Services, Thermis.

FUTURE DATES

Interims-

Broadcast Communications	Apr 21
CDFC Trust	Apr 28
Clydesdale Investment Tst	Apr 27
Ensign Trust	Apr 28
Fenner (J.H.)	Apr 28
Fisher (Albert)	Apr 29
Govett Strategic Inv Tst	Apr 21
Regina Health & Beauty	Apr 19

Finals-

Bardsley	Apr 19
Boosey and Hawkes	Apr 18
Carlton Industries	Apr 20
Cityvision	May 25
Downiebrae	Apr 27
FR Group	Apr 26
First Charlotte Assets	Apr 19
Mining & Allied Supplies	Apr 28
Mowlem (John)	Apr 18
Parambe	Apr 20
Parkdale	Apr 18
Ratners	Apr 28
Ropner	Apr 21
Scottish Ice Rink	Apr 18
Securities Trust Scotland	Apr 22
Smallshaw (R.)	Apr 28
TR Natural Resources	Apr 22
TR Property Inv Trust	Jun 1

Ayrshire Metal in the black

Ayrshire Metal Products achieved pre-tax profits of £966,000 in 1987 compared with a loss of £267,000. Turnover rose by 29 per cent from £18.53m to £23.93m.

The company, a light engineer and steel fabricator, is recommending a final dividend of 1.5p (nil) for a 2p (0.5p) total.

Market conditions had been improving, directors said, although margins remained inadequate. Negotiations had started which could lead to the sale of Ayrshire Metal Products (Daventry).

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE INTERNATIONAL STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON THURSDAY, 14TH APRIL 1988.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 13th April 1988, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

£100 million 2½ per cent INDEX-LINKED TREASURY STOCK, 2011
£100 million 2½ per cent INDEX-LINKED TREASURY STOCK, 2020

The price paid by the Bank on issue was in each case the middle market price of the relevent Stock at 3.30 p.m. on 13th April 1988 as certified by the Government Broker.

In each case, the amount issued on 13th April 1988 represents a further tranche of the relevent Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice: the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for the Stocks listed above, dated 22nd January 1982 (as amended by the supplement to the prospectus dated 9th March 1982) and 12th October 1983 respectively, may be obtained at the Bank of England, New Issues, New Change, London, EC4M 9AA.

The Stocks are repayable, and interest is payable half-yearly, on the dates shown below (provision is made in the prospectuses for stockholders to be offered the right of early redemption under certain circumstances):

Stock	*Redemption date*	*Interest payment dates*
2½ per cent Index-Linked Treasury Stock, 2011	23rd August 2011	23rd February 23rd August
2½ per cent Index-Linked Treasury Stock, 2020	16th April 2020	16th April 16th October

Both the principal of and the interest on the Stocks are indexed to the General Index of Retail Prices. The index figure relevant to any month is that published seven months previously and relating to the month before the month of publication. The index figure relevant to the month of issue of 2½ per cent Index-Linked Treasury Stock, 2011 is that relating to May 1981 (294.1); the equivalent index figure for 2½ per cent Index-Linked Treasury Stock, 2020 is that relating to February 1983 (327.3). These index figures will be used for the purposes of calculating payments of principal and interest due in respect of the relevant further tranches of stock: as provided for in the prospectuses, the calculations will take account of the revision of the index to a new base of January 1987 = 100 (on the old base the index for January 1987 was 394.5).

The relevant index figures for the half-yearly interest payments on the Stocks are as follows:

	Relevant index figure	
Interest payable	*Published in*	*Relating to*
February	July of the previous year	June
August	January of the same year	December
April	September of the previous year	August
October	March of the same year	February

The further tranche of 2½ per cent Index-Linked Treasury Stock, 2011 will rank for the full six months' interest due on 23rd August 1988. The further tranche of 2½ per cent Index-Linked Treasury Stock, 2020 has been issued on an ex-dividend basis and will not rank for the interest payment due on 16th April 1988.

Each of the Stocks referred to in this notice is specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

13th April 1988

RTZ slips to £594m but holders get payment boost

Derek Birkin, left, chief executive and Sir Alistair Frame, chairman before meeting the press yesterday

RTZ Corporation, the natural resources and industrial group, yesterday reported modestly lower pre-tax profits of £594.3m compared with £601.7m for the second year running, but any surprise this caused in the City, was offset by a 14 per cent rise in net earnings to £279.5m and a 22 per cent rise in the dividend.The shares closed 20p lower at 360p

Sir Alastair Frame, chairman, said that concern over a world recession, following last October's stock market fall, *has* diminished. Demand for most metals remains buoyant, and average prices in 1988 should be somewhat higher than those in 1987.

Sir Alastair said that the main highlights of its 1987 performance were a better earnings mix, a solid contribution from its industrial interests - which account for close to two thirds of its net profits - and a strengthening in metals prices in the second half of last year. Group turnover fell by 3 per cent to £4.2bn but if the figure had been struck at 1986 exchange rates turnover would have been £500m higher

Mr Ian Strachan, RTZ's new finance director, noted that pretax profits would have been £63m higher and earnings would have been £22m higher if translated at 1986 exchange rates.

The decline in pre-tax profits was mainly due to a £110m reduction in the pre-tax profits from its partly owned Hamersley Iron ore mine and its Rossing uranium venture. The decline in profits from these highly taxed companies was mainly responsible for the £32m reduction in the tax charge to £242.8m

Helped by another strong performance from its borax operations, industrial businesses increased net profits by 15 per cent to £236m. The metals interests *contributed £87m, compared* with £88m, and only iron ore and tin failed to benefit from the improvement in prices in the second half of 1987.

Earnings per share rose by 14 per cent to 35.97p and a final dividend of 8.3p has been proposed(6.6p) making a total 11.5p.

CRA's contribution to RTZ's net profits fell from £59.5m in 1986 to £52.7m last year.A turnround is expected at CRA

Aside from the expected turnaround at CRA, where new management has been in place since mid-1986, Sir Alastair noted that *RTZ's Brazilian affiliate brought* its new gold mine into production in December and the high grade Neves Corvo copper project in Portugal will be commissioned towards the end of this year. *Meanwhile, construction work on* the giant Escondida copper project in Northern Chile could begin later this year. Sir Alastair said that the financing was virtually in place.

Mr Philip Crowson, RTZ's metals expert who gave a presentation at yesterday's press conference, predicted that the price of aluminium in 1988 would rise by between 30 per cent and 40 per cent from last year's average of 71 cents a pound and copper prices should rise by around 25 per cent from last year's average of 80 cents a pound. He said that *the outlook for metal markets* "remains reasonably good".

See Lex

Michael Luckwell buys 5% of TV-am

By Raymond Snoddy

Mr Michael Luckwell, former managing director of Carlton Communications yesterday bought a 5 per cent stake in TV-am, the commercial breakfast television station for £4.6m.

Mr Luckwell, the chairman of Parallel Media, the sports sponsorship organisation was a major shareholder in Carlton until February 1986 when he resigned and sold his shareholding for £25m.

The TV-am stake was bought from Beaverbrook Investments which put the shares up for auction under pressure from the Independent Broadcasting Authority.

The IBA told Beaverbrook to reduce its stake in TV-am to below 10 per cent following the disclosure that since last summer Beaverbrook's 14.9 per cent in the television company had been controlled by Saudi interests.

Merchant bank Henry Ansbacher made it clear yesterday that Beaverbrook ultimately intended to sell the rest of its stake in line with IBA requirements.

Mr Luckwell said yesterday it was possible that he would be interested in the rest of the Beaverbroook *stake depending* on the price.

Yesterday's deal, worth £4,635,329 was for the sale of 3,264,316 ordinary shares at 142p each. The sale is subject to Beaverbrook board approval, but Telecommunications Holdings which holds 67.54 per cent of Beaverbrook will vote in favour of the sale.

Mr Luckwell said he simply saw the TV-am stake as a good investment.

Thurgar Bardex

Thurgar Bardex, plastic window and mouldings group, announced virtually unchanged taxable profits for 1987.

Turnover rose 19 per cent from £20.14m to £23.99m, but pre-tax profits showed only a 5 per cent increase to £1.81m.

A final dividend of 1.5p is proposed from earnings per share of 5.62p (5.29p), making 2.25p (1.8p) for the year.

Great Southern rises over £2m

A reduction in the national mortality rate has not prevented Great Southern Group, funeral services group, from turning in a sharp increase in 1987 pre-tax profits.

They are ahead from £1.63m to £2.08m, and the final dividend is 4p making a total of 6p. The company, which is quoted on the USM, is 77 per cent owned by J.D.Field & Sons.

Turnover amounted to £14.47m (£12.38m) and after tax of £817,000 (£635,000) earnings per 10p share improved to 13p (12.3p).

British Dredging lifts profits by 18% to £1.9m

British Dredging, dredger, ship repairer and builders' merchant, raised pre-tax profits by 18 per cent from £1.65m to £1.94m in 1987, after charging a loss of £0.2m at British Dredging Ship *Repairers which is expected to be* closed in the next few weeks.

Turnover of the Cardiff-based business in which RMC and Newarthill hold large shareholdings, jumped 71 per cent to £18m. Mr Fane Vernon, chairman, said sales volumes in the first three months of 1988 were showing a healthy increase.

After tax up from £330,000 to £627,000, earnings per share dropped to 7.32p (7.64p). The directors however, recommend a *maintained final dividend of 3p* making a total of 5p (4p).

The anticipated closure costs of British Dredging Ship Repairers, which will involve substantial redundancies, are being provided for as an extraordinary item of £400,000.

Clay Harris examines BBA's acquisition of Guthrie Corporation

Planning for a speedy conclusion

IF BBA Group captured Guthrie Corporation with stunning speed yesterday, the battle had not been planned overnight.

The slight ill-timing of its last acquisition on this scale, the agreed £98m purchase of motor components group Automotive Products in January 1986, resulted in a temporary pause in BBA's market-pleasing rapid expansion. BBA could not afford to stumble again.

By the time the deal was announced, BBA was prepared to outline the management structure of the enlarged group, to demonstrate that, arguably, only one of Guthrie's five divisions did not slot neatly into exisiting businesses.

The odd one out, the US-based Page Avjet aviation sales and service business, will operate on its own, *but is likely to be a leading* candidate for the disposals planned to reduce the cost of acquisition.

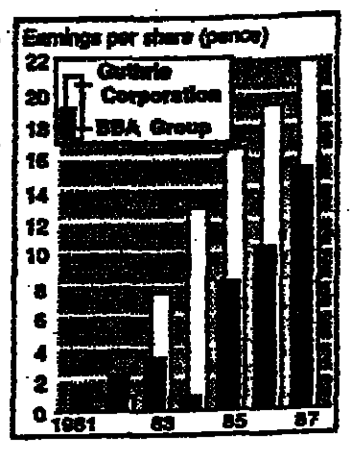
In many ways, Guthrie will complete the logic of the AP deal. Although the acquisition will reduce BBA's reliance on motor components from 84 per cent to 64 per cent, it will also strengthen this core business by adding the North American plants of Butler Metal and Butler Polymet, with products including structural plastics and steel subassemblies.

BBA's present components activities are centred on Borg & Beck clutches and Lockheed brakes. It is also Europe's largest maker of automotive friction materials, such as disc pads and brake and clutch linings.

Guthrie's textiles and floor cov*erings division* includes Duralay, Europe's largest manufacturer of carpet underlay. Along with the Angus Fire Armour, whose main product is fire hoses, and an Australian towel manufacturer, this will become part of BBA's industrial textiles operation which makes conveyor and other beltings and webbings as well as yarns used in such products.

BBA's engineering business will take responsibility for Guthrie subsdiaries manufacturing equipment for induction heating and melting and high-voltage transmission.

The borrowing and goodwill write-offs required by the acquisition will increase BBA's gearing to more than 100 per cent from 29 per cent at the end of 1987. To return it to an "acceptable" level of 40 per cent, the company will rely on the cash generation of the two businesses *as well as* selective, but yet undecided, disposals.



Tables turned on a disappointed realist

WHEN THE tables were turned, Mr Jock Green-Armytage (pictured left) was the first to appreciate – if not savour – the irony, writes Clay Harris.

"This is a case of he who lives by the sword dies by the sword," he observed ruefully *yesterday after* control of Guthrie Corporation, the diversified industrial group of which he has been managing director since 1982, was sold out from under him.

As a corporate finance director of N.M. Rothschild, Mr Green-Armytage organised the "dawn raid" in September 1981 which won control of Guthrie for Malaysia's Permodalan Nasional Berhad. It also resulted in a tightening-up of London takeover rules which was reflected as recently as Wednesday when Jacobs Suchard was forced to pause after buying 14.9 per cent of Rowntree.

When the Malaysians sacked Mr Ian Coates, Guthrie chief executive six months later after an abortive management buy-out, Mr Green-Armytage deserted merchant banking to preside over the six-year rehabiliation of Guthrie's highly geared industrial rump and its return to the London stock market in 1986.

PNB's decision to sell its *stake was not a surprise*, nor in the end was the interest of BBA Group. Mr Green-Armytage had known Mr John White, BBA managing director, since the early 1970s when, stationed in Malaysia for Rothschild, he had acted as financial adviser to Mr White, who was then involved in tin.

"I, too, have been looking at BBA," Mr Green-Armytage said. But if such ambitions were kicked around, nothing ever came of them. Nor did he and fellow executives have a chance seriously to explore a management buy-out.

"I'm obviously disappointed," he said. "We have a very *good record behind us*. The growth we have produced is organic. There's nothing synthetic about what we've done, nothing owed to accounting techniques."

Still only 42, the experience of the past six years has left him more inclined to seek a similar industrial position than to return to the City.

If he now concludes, "We're all realists, I think," he can afford the sang-froid. Generous share options in Guthrie, granted by the Malaysians when the restructuring was only just beginning, are expected to yield him a net profit approaching £2m.

Avis Europe drives up to £54m

BY CLAY HARRIS

Avis Europe, Europe's largest car rental and leasing group, said yesterday that advance bookings by US visitors were running below 1987 levels. An aggressive marketing campaign *had* been mounted to offset the weakness of the dollar.

The recovery in tourism last year, from the 1986 slough induced by Chernobyl and terrorism, contributed to Avis's strong advance in revenues and profits, although results were also boosted by acquisitions and healthy underlying growth.

Taking in a full year of Sheffield motor dealer C.D. Bramall, Avis reported pre-tax profits of £54.6m for the year to February 29, compared with the merger-restated 1986-87 figure of £38.3m and the *previously reported* £34.1m.

Unlike Bramall, results from the increased stakes bought in Avis Car Leasing and Belgian-based Locadif were included only from the date of acquisitions.

On turnover of £486.5m (£372.4m), operating profit rose to £86.9m (£43.5m). By division, the pre-tax profit breakdown was: vehicle rental £37.4m *(£27.6m)*, fleet leasing £12.7m (£7.8m) and vehicle distribution.

Net interest payable increased to £17.2m (£10m) and the tax charge to £22.5m (£16m).

Earnings per share advanced by 26 per cent to 22.6p (17.9p), and a proposed final dividend of 3.8p raises the total to 9p. In the flotation year of 1986-87, only a 3.8p final was paid.

● **comment**

Avis is squeezing the expected benefits from its unparalleled *multinational network, winning* keener prices and terms from manufacturers as well as reaping the competitive advantage of offering full-service leasing untrammelled by borders. Avis's expansion into leasing has reduced dependence on the rental market (of which US visitors accounted for 7 per cent last year). But if transatlantic travel*lers decide not to* make the trip, Avis may be able to repeat its 1986 trick of quickly reducing the fleet through delayed purchases and rapid disposals. The four-month life of a car in the UK, and just over six months on average, illustrates the flexibility available. Persistent whispers hint that British Airways may have long-term ambitions towards Avis, as if the Allegis debacle in the US had not dashed grandiose dreams of all-inclusive travel companies. Any such bid would be strongly resisted – what advantage, indeed, did Hertz gain *from its erstwhile cohabitation* with United Airlines – but the speculation is premature in any case. For the current year, £69m pre-tax would put the shares on a prospective p/e of 12.

Continuing growth at AMI

AMI Healthcare Group, the pri*vate medical group* which joined the main market via a £50m offer for sale in February, yesterday reported continuing growth. AMI is the UK offshoot of US company American Medical International.

Turnover showed a 13 per cent gain from £45.84m to £51.91m producing pre-tax profits 15 per cent higher at £6.33m (£5.51m) for the six months ended February 29 1988.

The results have been presented as if the group structure on February 29 had been in place throughout both periods. AMI was incorporated on September *15 and became the holding com*pany of the group on November 6 1987. Group results for the 24 weeks to the end of February 1988 showed turnover of £32.79m and pre-tax profit of £3.94m.

As forecast in the prospectus there is to be a single dividend in January 1989 of 3.3p per share.

Connells profits advance 39%

Strong profit growth was achieved at Connells Estate Agents, commercial and residential estate agent, with pre-tax figures in 1987 up 39 per cent from £5.25m to £7.32m. Turnover jumped 54 per cent to £25.02m.

Adjusted earnings per 5p share rose to 24.5p (18.87p). A final dividend of 5.5p is recommended for a total of 8p (6.4p).

Mr John Simson, chairman, said the new year had started with encouragingly high levels of activity in both divisions.

The company has paid £625,000 in cash and shares for Cook & Company, a residential agency with four offices in Basingstoke, Newbury and the vicinity. The acquisition is Connells' first move in establishing a new base in the M3/M4 triangle.

Efficiency boost for Fitch & Company

BY ANDREW HILL

PROFITS at Fitch & Company Design Consultants increased to £2.43m before tax for the year to December 31, up 28 per cent on 1986 profits of £1.9m.

Turnover rose by 17 per cent to £12.7m (£10.9m). Gross profit margins increased from 17.5 per cent to 18.7 per cent, mainly due to improved efficiency, including the use of computer aided design.

The company continues to seek a major US acquisition in the corporate, retail or product design sectors, and also plans to push up the 6 per cent of its business currently generated in Europe.

Income from the architecture division was boosted by the acquisition of Gordon Benoy last September for a maximum of £4.5m. The division now accounts for 39 per cent (30 per cent) of group turnover, and about the same proportion of operating profits, reducing the proportion of business from the interior and retail design sector to 40 per cent (55 per cent).

Graphic communication increased its share of business to 13 per cent (8 per cent). Product design, which Fitch hopes to expand this year, accounts for 8 per cent (7 per cent) of turnover.

Capital and reserves rose from £3.71m to about £7m during the year, helped by a £1m upward revaluation of the group's Hanway Place offices.

Earnings per share last year were 23.1p (18.3p) and the directors recommended a final dividend of 5.5p, making 8p (7p) for the year.

● **comment**

Fitch's plan to put all its divisions under one roof is symptomatic of the consultancy's aim of providing a complete design package for companies with an identity crisis. Some big players – Burton, Pentos, Asda and Midland Bank among others – have benefited from Fitch's traditional strength in retail design. Now the group hopes high-profile contracts – such as preparing plans *to modify the interior of the new* Lloyd's building – will persuade companies to employ Fitch's other divisions, from product and package design to architecture. Benoy was included on a merger-accounting basis in 1987; a full 12 months in this year's figures should raise profits to about £3.3m before tax. Uncertainty about the nature of future acquisitions may have been behind the 10p drop in the share price yesterday to 385p, but a fully diluted prospective multiple of about 12.5 still looks fair.

UK COMPANY NEWS

Godfrey Davis up 30% to £13.9m

BY VANESSA HOULDER

Godfrey Davis, the broadly based service company which last year merged with the Sunlight Service Group, yesterday announced a 30 per cent increase in pre-tax profits to £13.9m for 1987.

The results, which have been merger accounted and reflect a move to Sunlight's year end, showed that turnover increased by 14 per cent to £222m. Mr John Ivey, chief executive, said that the merger had gone well and that he expected organic growth in the current year to exceed 15 per cent.

The vehicle supply division, which accounts for a third of profits and about half the turnover, produced the strongestperformance, increasing profits by 50 per cent. This improvement was based on continuing growth in the contract hire business and the buoyant market in motor distribution.

Profits from textile maintenance, responsible for 43 per cent of operating profits, moved ahead by 16 per cent. The three smaller divisions, manned services, site services and park homes, all improved their performances, although margins in security guarding came under pressure.

The merger between Godfrey Davis and the larger Sunlight Services took place last June and was in line with the Godfrey Davis policy of diversifing away from motor distribution. The merger which put the Sunlight management into top executive positions in the combined group was also seen as a solution to the management succession problem at Davis.

Earnings per share increased by 24 per cent to 13.22p. A final dividend of 4p per share is proposed making a total for the year of 6.1p, an increase of 16 per cent.

● comment

The merger between Sunlight and Godfrey Davis raised a few eyebrows last June from those who doubted the logic of the move but these pleasing figures should allay some of the doubts. The old Sunlight businesses produced their usual solid growth, while the former Godfrey Davis businesses performed better than expected at the time of the merger. Admittedly, last year's boom in the motor trade underpinned the improvement but the business also reaped the benefits of the improved financial and management structures which the Sunlight management have brought to the company. In the coming year there should be continued benefits as the management brings its expertise to bear on the combined group – which now earns 70 per cent of its income from rentals. The company expects to make £16.5m this year, which with the share price at 177p, up 5p, puts it on a fair rating of 11.

Handley Walker joins USM with £8m price tag

By Fiona Thompson

YOU MAY have thought it just came naturally, but teaching Marks and Spencer sales staff how to recognise, interpret and act upon their customers' body language is big business.

Handley-Walker Group, management consultants, have during the past 18 months trained several thousand M and S staff in the art of customer assistance, particularly in the "high service" areas – such as menswear – where customers require a lot more help. Women, it appears, neither require nor take as much advice.

Helping companies get the best out of their business, be it product or people performance, has resulted in Handley-Walker increasing turnover fivefold in the same number of years, from £1.33m in 1983 to £6.52m last year.

It is now joining the Unlisted Securities Market.

Capel-Cure Myers is placing 1.5m shares, representing 23.5 per cent of the enlarged equity, at 125p per share, valuing the company at £7.96m. Pre-tax profits last year were £821,000, putting the shares on a historic p/e of 14, after an actual tax charge of 39 per cent.

Of the 1.5m shares being placed, 750,000 are new shares which will raise £745,000 for the company, to be used to reduce borrowings and to fund further expansion and acquisitions.

Existing shareholders are selling 750,000 shares. More than 100 of the group's 167 employees worldwide are shareholders.

The vast bulk of the company's business is in the UK but it also has operations in the US, France, Hong Kong and Australia. Last year it did work for 350 clients worldwide, earning fees of £6.5m.

The majority of its business, 59 per cent, comes from manufacturing industry, particularly electronics and mechanical engineering; with financial services, leisure, retail and government business growing.

Move to higher margin homes helps Walter Lawrence to £12m

BY PATRICK DANIEL

Walter Lawrence, the Hertfordshire-based house-builder and contracting group, reported a 1987 pre-tax profit of £12.1m, up 61 per cent on the previous year's £7.5m.

The growth came mainly from higher margins from house-building – which accounted for 85 per cent of operating profit – although the group's contracting and merchanting businesses also grew. Total turnover was up 17 per cent to £207m (£177m).

A final dividend of 3.5p has been proposed, making a total for the year of 4.75p (4p). Earnings per share were 17.1p, up from 12.6p.

The group last month made its first overseas acquisition, paying $4.7m (£2.55m) in cash for a 51 per cent stake in a Los Angeles house-builder, West Venture Developments.

Mr Trevor Mawby, managing director, yesterday described the acquisition as "an exciting investment... with excellent long-term growth potential."

While the West Venture management has been retained for three years, Walter Lawrence is guaranteed a pre-tax profit of at least $3m this year from the US operations.

In October, just ahead of the stock market crash, the group disposed of its loss-making manufacturing business for £6.6m, appoximately book value, receiving an initial £2.5m prior to the close of its accounts.

This move has meant a clearer focus on its main activities of house-building, contracting and merchanting.

● comment

With the boom in the housing market, house-builders are turning in excellent results. Walter Lawrence has clearly chosen to go for higher-margin homes rather than quantity. Its 1,176 completions last year was only 36 more than the previous year and it intends to stay at around the 1,200 level this year. The average price of its houses was up 20 per cent to £53,000, reflecting a move up-market and not mere price inflation. The group also struck an excellent deal on the West Venture acquisition: it paid £2.55m for the majority stake while City forecasts are that it will this year receive £3.5m pre-tax from the US operations - a handsome return.Pre-tax profits of £18m in 1988 should be comfortably achieved. At yesterday's closing share price - up 5p to 155p - this gives it a prospective p/e of a little over 7, good value.

Carborundum profits rise to over £3m

Improved business levels in the latter part of the year helped Carborundum Abrasives to raise 1987 pre–tax profits from £2.67m to £3.08m. Turnover of this maker of abrasive products grew 12 per cent to £58.13m.

The company, which is currently traded on the over-the-counter market made by Granville, said it intended to apply for the admission of its shares to the Official List. Mr Trevor Egan, chairman, said he considered this to be an essential step in its development.

He said prospects were excellent, with growth opportunities within selected segments of the group's existing business, coupled with acquisitions in core and non–core activities.

Fully diluted earnings per share were up 2.1p to 13.9p andthe final dividend 3p for a total of 4.6p, a 17.9 per cent increase.

It is proposed to change the company's name to Carbo.

Britannia at £2m

Britannia Group lifted pre-tax profits from £801,000 to £2m in 1987.A final dividend of 2.5p is recommended for the year.

Alpine Soft Drinks cuts losses at nine months

Alpine Soft Drinks, the Birmingham-based fizzy drinks supplier which has been making strenuous efforts to return to profitability, reported a sharply reduced deficit for the nine months to end-December.

The pre–tax loss shrunk to £94,000 against £477,000 in the comparable period. Turnover fell to £9.83m (£13.72m), and gross profit from £7.62m to £5.34m. Reduced distribution and administrative costs took £4.93m (£7.44m) and £581,000 (£673,000) respectively. There was a tax credit of £38,000 (£159,000).

However, the directors warned that results for the six months to June this year – Alpine has changed its year-end to December 31 – were expected to show increased losses due to seasonally low first quarter volumes. Effects of the reorganisation of the soft drinks business would be felt in the full 1988 year

The streamlined operation – in February, 340 job losses were announced together with the proposed closure of manufacturing plants and distribution depots – should secure an improved share of the home delivery market, the directors added.

Alpine charged the cost of the reorganisation and provision for future closures as an extraordinary debit, after tax credits, of £996,000.

The company proposes to change its name to Alpine Group.

Quarto increase

Quarto Group, increased 1987 pre-tax profits by 43 per cent from £963,000 to £1.38m.

A final dividend of 3p gross makes a total of 4.5p.

W A Tyzack sheds jobs as site is sold

By Nikki Tait

W A Tyzack, the Sheffield-based engineering group where new management moved in recently, is to phase out production at the company's Little London works site by September, and put the 6.3 acre freehold up for sale.

The production activities – which involve the transmission, rotary lawn mower blade, machine knives and harvesting divisions - will be concentrated at the main Green Lane site, although a number of redundancies – under 100 jobs – will also ensue.

In addition, Tyzack plans to sell its hand tools and agricultural spares businesses, and said that discussions have begun with a number of potential purchasers.

Gold Fields denial over ARC

BY NIKKI TAIT

Consolidated Gold Fields, mining finance company, yesterday denied market rumours that Hanson, industrial conglomerate, had approached it with an offer for its wholly-owned subsidiary, ARC.

Gold Fields said that there was no truth in the story. "We are not aware of having been approached by Hanson," commented the company, "and we would not consider selling ARC."

Hanson declined to comment on the speculation, which ran round the market yesterday morning. "We never comment on market rumours," came the traditional response from Mr Martin Taylor, director.

In addition analysts pointed out that Gold Fields last year protected a holding in Newmont, US mining company, against a bid from Mr T. Boone Pickens. They suggested that the company would be unlikely to sell ARC, a source of strong profits growth, for less than a very full price.

In 1986/7, operating profits totalled £83.6m, and analysts expect more than £110m in the current year. The first half figure was £57m.

Barr & Wallace doubles profit

Barr & Wallace Arnold Trust yesterday revealed pre-tax profits for 1987 more than doubled to a record £2.7m against £1.33m the previous year.

Mr Malcolm Barr, chairman, said the buoyant performance was attributable to continuing growth in motor distribution - the group operates General Motors, Ford and Volkswagen-Audi franchises - where profits rose to £2.2m (£1.8m), and a sharp turnround in leisure and holiday activities which contributed £702,000 to profits, compared with a loss of £41,000 in 1986.

The group's third division - fuel distribution - made £152,000 (£186,000), although Mr Barr said that this was a "steady performance" in the face of "exceptionally difficult trading conditions."

Regarding current trading, Mr Barr said business was good in all divisions and ahead of 1986. In particular, volume of bookings in both British and Continental package holidays had increased.

The group is actively seeking acquisitions in the motor distribution, leasing and contract hire fields as well as in holiday hotels where they integrated into present operations.

Group turnover rose 10 per cent from £131.69m to £144.41m, also a record, while sales costs and overheads increased to £140.78m (£129.3m). Interest charges dropped slightly to £959,000 (£1.12m).

Mr Barr stressed the strength of the group's balance sheet which showed borrowings down by over 18 per cent to £2m and a reduction in working capital of £1.2m.

Earnings per share showed a 78 per cent jump from 15.3p to 27.2p and the directors recommend a final dividend of 8p, making 11p (8p) for the year.

Peachey extends EPIC offer

Peachey Property has extended its offer for Estates Property Investment Company until April 26 and has also reconfirmed that it intends to remain a significant minority shareholder in EPIC if necessary.

Peachey's offer, which has been declared final, is worth 260p a share and values EPIC at £63.4m. It has, however, been overtaken by a rival recommended offer from Giltvote, a consortium headed by Mr Stephan Wingate, which is worth 270p a share.

By the latest closing date on Tuesday afternoon, Peachey had acquired a firm 32.1 per cent interest in EPIC and received acceptances in respect of a further 1.6 per cent of EPIC's shares – giving it control of 33.7 per cent. Peachey added that it had purchased a further 285,000 EPIC shares and received acceptances in respect of another 1,681, but, valid cover had not been received for either of these blocks. Together, these shares are equivalent to a further 1.2 per cent of EPIC's equity.

The next closing date comes three days after the first close in the Giltvote bid – and Giltvote's task of winning control is not made easier by Peachey's determination to retain its large minority interest.

The position is further complicated by the emergence of UK Land, a smaller quoted property company headed by Mr Colin Tett, as a 5.2 per cent shareholder in EPIC. Some of the UK Land purchases have been made at 272p, ahead of the Giltvote offer

Baillie Gifford Tech.

Net asset value for Baillie Gifford Technology at February 29 was 102.2p, almost unchanged on the 102.1p of a year earlier but lower than the 108.5p six months before. The fully diluted figures were unchanged at 101.8p.

The single final payment has been passed

COMPANY NEWS IN BRIEF

GENERAL ACCIDENT is acquiring Saxtons estate agents, which has 14 offices in the Yorkshire area. The aggregate net assets of Saxtons amount to about £80,000. As part of the consideration General Accident is issuing 123,436 shares.

BOSUNMARK: ML Holdings has received acceptances for its recommended offer in respect of 1.16m Bosunmark ordinary and 5.76m 'A' ordinary shares, together representing 96.7 per cent of issued share capital. Bosunmark is the parent company of Gothic Crellon. The offer has been declared wholly unconditional.

BRYSON OIL & Gas has exercised an option to acquire the assets of Castex International Corp in the US for $2m cash.

BULLOUGH is to acquire Refrigeration West Midlands (RWM) and its subsidiaries for £1.25m cash plus two-thirds of the excess of profits of £383,000 in the 23 months to end-October 1989. RWM, a private company based in Shrewsbury, had net assets of £630,000 at end-November 1987.

NORTH BRITISH Canadian Investment: Net asset value 435.9p (380.5p) for year to end-February 1988. Net revenue £553,016 (£503,338). Recommended final dividend 5.6p making 8.1p (7.45p) for year.

REGENTCREST has exchanged contracts with the vendors of a private company, Plymouth Park Estates, for the acquisition of PPE for a total consideration of £400,000 – satisfied by the allotment of 400,000 new ordinary shares. The company understands that the merchant banking group, Robert Fraser and Partners, has agreed to acquire, as an investment, all the shares issued under this agreement.

YEARLING BONDS totalling £2m at 9⅛ per cent, redeemable on April 19 1989, have been issued by the following local authorities: – High Peak (Borough of) £0.5m: Hillingdon (London Borough of) £1m: West Lancashire District Council £0.5m.

DC GARDNER'S sales and profits are significantly up on the same period of 1987, shareholders were told at the annual meeting, and the board is confident of continuing this progress in the rest of the year. DC Gardner City, corporate communications consultancy established recently, is expected to contribute to 1988 profits.

IRISH WIRE Products has agreed to acquire John Cleland (Holdings) for a maximum £5m. An initial £3m will be paid in cash and £1m by the allotment and issue of 370,370 new ordinary. Further payment will be made if Cleland's profits for the year ended April 30 1988 are over £533,333.

LADBROKE GROUP has bought British Land's 75 per cent interest in three first class hotels at Basingstoke, Swansea and Livingstone, for £14.9m. They will be included in the Hilton national chain.

INTERNATIONAL BUSINESS Communications (Holdings) has acquired Direct Response magazine, for seven and a half times 1987 after-tax profits. It is the trade journal of direct marketing and has a turnover of £700,000.

BOUSTEAD, overseas trader, has bought a further 2.44m ordinary shares in its subsidiary Bousteadco Singapore for £787,000, taking its holding to 63.6 per cent.

AGB RESEARCH has acquired Mander Walsh for £1.1m cash to develop its involvement in direct marketing services.

SHANDWICK, independent public relations consultancy, has announced that over 96 per cent of the 3.68m ordinary 2p shares offered in its rights issue has been taken up.

RURAL PLANNING Services: (USM-quoted environment consultant) Turnover £1.09m (£722,296) and pre-tax profit £480,151 (£154,017) for 1987. Tax £170,000 (£48,300), leaving earnings per share 4.85p (1.65p). Dividend 1p.

JERMYN INVESTMENT and Trevian Holdings are to each take 50 per cent of the share capital of Landseer House Property for a total of £6.75m. A seven year £5.4m loan secured against property, will fund the purchase, scheduled for completion on May 6 1988. Jermyn has also contracted to purchase the leasehold of 3 Beeston Place, London SW1 for £655,000.

CAPITAL & COUNTIES has sold a freehold retail warehouse site at Eastleigh, Hampshire, to Payless DIY for £3.2m. The sale will produce a trading profit in the region of £2m.

MICROFILM REPROGRAPHICS has acquired Surrey Microfilm for an initial payment of £400,000 cash and a deferred consideration of up to £500,000 linked to Surrey's pre-tax profits for the year to end-September 1989. Surrey incurred a pre-tax loss of £316,000 in the year to end-September

DOCTUS is to sell SEP and SEE to Peter Brockbank, who has resigned as a Doctus director, for a nominal £1. As partof the agreement, Doctus will subscribe at par for £1 redeemable preference in SEE for the equivalent of the combined overdrafts of SEP and SEE at completion. However,Doctus will have the right to defer completion for up to 28 days or to rescind the agreement if the combined overdraftsexceed £200,000 at completion date.

COMMODITIES AND AGRICULTURE

Attacks cloud prospects for Colombian bananas

BY SARITA KENDALL IN BOGOTA

TWO RECENT massacres in the heart of Colombia's banana-growing north-western region have cast a shadow over the future of a flourishing export industry. Last year, violence and strikes in the Uraba area cost banana companies about US$9m (£4.9m) in lost exports and 1988 has started off even worse with more than 100 people assassinated so far.

The dead include union leaders, left-wing and Liberal Party politicians, plantation overseers and banana workers.

Last month armed men invaded two banana farms at night and hauled families out of their rooms. Twenty people were shot by attackers reported to have been wearing military uniforms.

Anti-guerrilla slogans were daubed on the farm buildings.

Four days ago, another nine workers were dragged from their homes, their hands tied and they were murdered. At least six more have gone missing.

About 14,000 people are directly employed in the Uraba banana industry. Exports began in 1964, and reached US$168m last year. Bananas are also grown inland from Santa Marta, in an area notorious for an earlier massacre: over 100 people were killed in 1928 during a strike against the United Fruit Company. Santa Marta's banana exports earned $24m last year.

Uraba is a frontier area in every sense. Settled by cattlemen, farmers and migrant peasants over the last 25 years, it has proved fertile ground for guerrilla activity and drug trafficking.

About 85 per cent of the banana plantations are 30 hectares or bigger, and the majority of land-owners live elsewhere. Extortion and kidnappings keep them away.

The military claim that the two left-wing trades unions operating in the area are strongly influenced by guerrilla groups. Attacks on the banana companies have extended to theMedellin and Bogota offices, which were bombed last month.

Although labour problems have repeatedly disrupted the banana industry in recent years, the latest wave of violence is "political", according to the Association of Banana Producers.

In an open letter published on Wednesday, the producers warn the government that its sovereignty over Uraba is endangered. The Minister of Justice has now promised special measures, including a high-level commission to investigate the killings and greater military and police presence. Such commissions have produced little effect in the past, say the banana producers.

On one point at least, the trades unions and the Minister of Justice agree: both blame recent killings on the far right-wing. After the March massacre, the unions demanded the removal of the army commander from Uraba, and accused the military of harassing banana workers with frequent raids and searches.

Some 22,000 hectares in Uraba are planted with bananas and output has risen steadily as yields improve. Although export production increased by nearly 5 per cent to 43.7m boxes in 1987, the companies had expected a much better year. Colombia is battling for second place among banana exporting countries. New markets in Japan and China have been opened up, but about half the exports go to the US.

Investment by the banana growers in Uraba have not been matched by the Government; it is an isolated region with few roads, rampant malaria and minimal public services. Peasant families have already fled from some plantations, and unless the Government shows the political will to tackle the situation, the only modern agro-industry in the area will be eroded by a combination of rising costs and generalised violence.

Japanese buying lifts platinum

BY DAVID BLACKWELL

A SUBSTANTIAL increase in recent purchases of platinum by the Japanese appears to have lifted the price of the metal, re-establishing its premium over the gold price, according to a Johnson Matthey report.

Last night the London spot price for platinum closed at $530 a troy ounce, while gold was $450.75 an ounce. In mid-December both metals were at $485 an ounce.

Japan imported 11.5 tonnes of platinum in February, according to Japanese trade statistics. This is well above the record 8.76 tonnes set last November and the 5 tonnes bought in January . The average monthly import last year was 4.3 tonnes, up from 2.5 tonnes in 1986.

The recent purchases "have almost certainly taken a substantial volume of secondary stocks off the market," says the report. At the current rate, Japanese purchases alone would more than equate to a year's total Western world supply – 96 tonnes last year.

The statistics show that 4.5 tonnes of the February imports came from the Soviet Union. "The indications are that a significant amount of Russian metal is being released from old stocks previously held in Europe," says the report. "We do not believe that new Soviet supplies have suddenly risen to this level and, indeed, overall stocks appear to be reducing."

Johnson Matthey believes the stronger yen is encouraging the purchases. It points out that in January last year, platinum at $500 an ounce was equivalent to Y2,540 a gram. Current prices of around $530 an ounce are equivalent to Y2,150 a gram.

Comex to launch high grade copper

BY DEBORAH HARGREAVES IN CHICAGO

NEW YORK'S Commodity Exchange (Comex) will launch a new high grade copper futures contract on July 29, the exchange announced yesterday. The new contract was approved by the Commodity Futures Trading Commission in October 1986, but held up for consideration by the exchange's non-ferrous committee.

"The timing is ideal," commented Mr John Hanemann, the Comex chairman. "Comex warehouse stocks are at an almost historic low, for a number of cash market reasons, and we felt it was a rational time to move into high grade."

Comex's existing grade 2 copper contract will gradually be phased out pending CFTC approval, the exchange said. Only grade 1 electrolytic copper cathodes will be deliverable against the new contract – all other specifications will remain the same.

High grade copper, which represents the bulk of world production and usage is deliverable against Comex's existing contract for a 1½ cent premium.

"The ability to trade high grade copper will greatly improve Comex's responsiveness to the changing needs of the international copper community," Mr Hanemann said.

Changing technology in the copper industry has meant that very little grade 2 copper changes hands in the market, and Comex has been under pressure for some time to make its contract more representative of world trade. January 1989 will be the new contract's first delivery month, when it is introduced in July.

Canada strives to meet grain contracts

By David Owen in Toronto

CANADA IS taking steps to encourage grain farmers to increase deliveries of wheat, barley and oats to the Canadian Wheat Board (CWB), the country's sole wheat exporter, to enable the country to meet its heavy export commitments.

Approximately 1m tonnes a week of grain will be required in the spring and summer months, according Mr John Morriss, a CWB spokesman, as shipments through the country's eastern transport system resume after the winter break.

"We are not in difficulty today – we are just priming farmers and saying here's what we need to do", Mr Morriss added. "We certainly hope that we do not have to renege on commitments."

As part of the initiative, Mr Charles Mayer, Minister of State for the Wheat Board, this week raised by between 8 and 16 per cent the prices paid to farmers at the elevator for the three grains in question.

In addition, United Grain Growers (UGG), a farmer-owned co-operative which acts as an agent for the CWB, announced that it will store grain free of charge for farmers who make deliveries in response to the appeal.

"We hope that this will stimulate deliveries," said Mr John Clark, UGG manager of farm information services.

In recent months, farmers have tended to hang on to their grain in the hope that prices of barley in particular will improve. Although well over 80 per cent of the grain required in coming months is wheat, barley is currently thought to be in the shortest supply.

As of mid-March, Canadian wheat exports for the 1987-88 crop year (ending July 31) were up nearly 20 per cent from a year ago at 11.7m tonnes. Increased sales to China account for a large part of the improvement.

By contrast, barley sales over the same period were well below year earlier levels at 2.8m tonnes, against 4.7m in 1986-87. Wheat Board officials attribute the decline to exceptionally heavy early season sales a year ago.

● Grain yields have increased in the Ukraine despite the April 1986 Chernobyl nuclear accident, the Soviet news agency Tass said, reports Reuter from Moscow.

It quoted Mr Alexei Denisenko, deputy chief of Gosagroprom (the agro-industrial ministry) in the Ukraine, as saying grain yields rose to 3.22 tonnes per hectare last year from 2.64 in 1986.

Lynne Curry on China's struggle to meet rising demand

Peking's buying spree boosts sugar

THE STEADY rise in the world price of sugar from $170 (£92) a tonne in January to around $200 in the past few weeks has focused renewed attention on China's growing role in the international sugar market.

In spite of the fact that it is the world's fifth largest producer of sugar, China has recently increased its imports dramatically. According to traders and diplomats, it is likely to resume its buying spree later this spring, a development which could have a further significant impact on the market.

In the last quarter of 1987, Chinese sugar imports rose substantially, and they continued to increase in the first part of 1988. The imports were about double the rate of the two previous years for the same time period, according to a Western agricultural expert.

China imported an estimated 1.87m tonnes last year, an increase of nearly 59 per cent over 1986, one Asian analyst noted.

In January this year the Chinese are reported to have bought 61,761 tonnes of raw sugar, 45 per cent more than in the same month in 1987, he added.

Since then, analysts say Peking has adopted a lower profile, but this is not expected to last. Traders said the Chinese are using a cunning, capitalist approach; secretly entering the market and buying in large quantities when they believe the price is low enough.

"The requirement for sugar this year is quite strong," an asian analyst said. "Sugar really is a big problem and it will continue for some time."

A combination of factors is responsible for the surge in Chinese sugar imports: rising demand, falling production, greater provincial freedom to make direct purchases, and the inability of some of the country's normal sugar suppliers to fulfil their contracts.

China imports most of its sugar under a government-to-government arrangement with Cuba and an agreement with CSR, a diversified Australian multi-national producer. It buys the remainder on the spot market, primarily from Thailand, Fiji, and Brazil.

Recently, however, the Chinese are reported to have had serious problems with the Cubans. Last summer, Havana is said to have informed Peking that it would be unable to supply sugar to China in 1988, traders said. The reason was that Cuba's crop was believed to have suffered from severe droughts and hurricanes for the last two years. Cuban sugar exports to China were estimated at 300,000 tonnes in 1987 and 330,000 tonnes in 1986.

At the same time, China also faced difficulties in its attempts to import from elsewhere in southeast Asia. Most sugar producers in the region have been hit by drought in recent years. When China has sought to buy sugar from them Peking has found most of what they have been able to harvest has already been committed, forcing the Government to turn to non-Asian suppliers.

The drive to import more sugar is likely to accelerate further as China's policy of decentralisation continues. Diplomats noted that as the southern provinces of Fujian and Guangdong improve their financial position, they will be able to import more sugar directly, bypassing China's national Cereal, Oils, and Foodstuff Import Export Corporation (Ceroil), the country's main agency for agricultural products.

China normally imports a total of 1.5m to 2m tonnes a year, which is usually purchased at the end of the calendar year following the winter harvest and again in the spring after it has been refined, according to analysis. But if demand is acute and the price is low enough, it often increases its imports before March or April.

At the same time China is looking for other sources of sugar, demand is rising and production has been falling. Per capital consumption has increased from 3.8 kg in 1980 to 6.3 kg in 1986, according to traders.

In the 1987/88 marketing year, consumption is forecast to rise to 7.1m tonnes from 7m tonnes the previous year, a significant grain from 6.1m tonnes in 1985/86, a western agricultural observer noted.

This rapid growth in consumption resulted in sugar rationing, begun in late 1987 in most major cities of China except Canton, the capital of the country's largest cane-producing province. Sugar cane is also harvested in Fujian, while sugar beets are grown in the northern provinces of Heilongjiang, Inner Mongolia, and Shandong.

The recent marked increase in consumption is due to greater demand from the processed foods industry and from rural China where incomes have been rising, diplomats said.

Production, however, has not kept pace with the growth in consumption. One western agricultural expert forecasts that total raw sugar production will fall to 5.3m tonnes in 1987-88 from 5.77m tonnes in 1986-87.

This is the result of smaller sugar cane and beet harvests, caused by a drop in area planted.

The declines are due largely to the decreasing profitability of producing both sugar cane and beets. The domestic sugar price has remained unchanged for the last 20 years, and in 1987, farmers chose to raise grain, fruit and vegetables.

"The returns to growing sugar are still substantially less than anything else," one western agricultural observer said. "So, the farmers aren't interested."

As a result, the central government has ordered rises in the 1988/89 purchasing prices to producers of both cane and beets and that subsidies be given to the farmers as additional incentives, according to diplomats.

In spite this encouragement to farmers, analysts say the government is unwilling to raise the retail sugar price for fear that it could fuel inflation and trigger urban unrest.

In the face of all of the difficulties in meeting domestic demand, China still exports refined sugar to earn badly needed foreign exchange.

"They need hard currency," one trader said. "They will sell sugar even if they are short domestically. They don't care."

So analysts doubt that China will be able to meet its own need for some time with its continually growing demand.

"The Chinese sugar crop can't keep pace with consumption if they allow people to consume as much as they want," one Asian observer said. "Even if they import another million tons, it will not be enough. The rate of production is lower than the rate of consumption."

IN ITS latest market report Woodhouse, Drake & Carey, the London broker, identifies Chinese buying as the chief factor underpinning world sugar market values.

In addition it cites prospective Indian buying, which it describes as "long-delayed, but inevitable" and estimates at around 500,000 tonnes of whites.

Woodhouse also highlights recent buying by the Philippines, saying it is "symptomatic" of Far Eastern supply tightness.

"Mexican and Brazilian sales are likely to be staggered and perhaps will not create as much selling pressure as might previously have been anticipated," the report says.

It suggests too that recent price fixing sales may dry up if values resume the upward trend.

Venezuela 'raises crude oil export prices'

BY JOSEPH MANN IN CARACAS

VENEZUELA HAS raised export prices for its crude oil and refined products by an average of $1.50 per barrel, according to reports published in Caracas today. The report, which did not give specific increases for different grades of crude oil or products, also said that the new prices would be effective as of April 13.

However, its crude exports are of high viscosity oil, which falls outside the Organisation of Petroleum Exporting Countries' pricing agreement.

Venezuela, a founder member of the Organisation of Petroleum Exporting Countries (Opec), today exports around 1.5m barrels per day of petroleum. The new prices are expected to generate $2.25m per day for Venezuela in additional export revenues.

The Government reported that Venezuela in 1987 produced an average of 1.53m b/d of crude oil, not including natural gas liquids and field condensates. Exports last year averaged 1.52m b/d, down slightly from 1986.

At the same time, the Vice President of West Germany's Veba Oel AG, Mr Wilhelm Bonse, said in Caracas that his company is studying the possibility of investing in a new petrochemical plant in Venezuela. The German executive said the plant would be a joint venture between Veba Oel and PDVSA, Venezuela's national oil company, but he did not indicate what type of facility it would be.

Veba Oel and PDVSA are partners in a refining complex in West Germany, and Venezuela is currently making progress on a major expansion of its petrochemical industry. Norsk Hydro, Mitsui Petrochemicals and Italy's Ecofuel are participating in three new joint ventures in petrochemicals with Venezuela.

● ABOUT 3.6bn barrels of light and medium grade crude oil are still left to be discovered in the western Canadian oil basin, according to a report by the Geological Survey of Canada, writes David Owen in Toronto.

About 70 per cent of this oil could be developed commercially at market prices of C$22.50 ($18.20) a barrel.

However, reserves will become harder to find and oil pools will be smaller than in the past. "The implication is that it will require as many exploratory wells to locate the last 20 per cent of the resource as it did to find the first 80 per cent," the report said.

Since the first major Canadian oil discovery in 1947, some 15bn barrels have been discovered or pumped.

The report, based on detailed studies of the rock formations of the western basin, projected that as many as 10,000 oil discoveries will be made before the region's reserves are depleted.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER AND aluminium prices continued in retreat on the London Metal Exchange yesterday as sterling firmness against the dollar added to the existing downward pressure. Cash grade A copper fell £24 to close at £1,208 a tonne, taking the fall on the week so far to £96 a tonne. Cash high grade aluminium's $230 fall to $2,350 a tonne took its decline since last Friday's rally to $535 a tonne. In contrast nickel maintained the week's rally with cash metal gaining $200 to $17,750 a tonne, reflecting a minor wave of consumer buying in a thin market. Dealers said the buying was not followed through in the afternoon, however, and trading became very patchy. Coffee futures prices fell back again in the afternoon with the July quotation ending £11 down at £1,130 a tonne. The weak dollar was reported to be the main influence. Currency pressure on the cocoa market was cushioned

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.90-5.00w	+0.105
Brent Blend	$16.79-6.84w	+0.13
W.T.I.(1 pm est)	$18.18-8.23w	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	+1
Gas Oil (Soviet)	$152-154	+1.5
Heavy Fuel Oil	$82-84	-2.5
Naphtha	$155-157	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$450.75	+0.75
Silver (per troy oz)♣	642c	+1
Platinum (per troy oz)	$530.10	+0.10
Palladium (per troy oz)	$122.00	
Aluminium (free market)	$2395	-185
Copper (US Producer)	104⅝-107c	-5
Lead (US Producer)	35.5c	
Nickel (free market)	790c	+50
Tin (European free market)	£3677.5	-47.5
Tin (Kuala Lumpur market)	17.43r	+0.03
Tin (New York)	320.5c	+1.75
Zinc (Euro. Prod. Price)	$875	
Zinc (US Prime Western)	51⅞c	
Cattle (live weight)†	111.44p	-1.21*
Sheep (dead weight)†	202.59p	-14.87*
Pigs (live weight)†	69.62p	-0.70*
London daily sugar (raw)	$224s	-2
London daily sugar (white)	$242s	-0.50
Tate and Lyle export price	£228.50	-1.00
Barley (English feed)	£107	
Maize (US No. 3 yellow)	£133	
Wheat (US Dark Northern)	£94.50s	
Rubber (spot)♥	65.50p	-1.00
Rubber (May) ♥	69.50p	-1.00
Rubber (June) ♥	69.75p	-1.00
Rubber (KL RSS No 1 Mar)	308.0mw	+1.5
Coconut oil (Philippines)§	$627.5t	
Palm Oil (Malaysian)§	$405.0w	
Copra (Philippines)§	Unq.	
Soyabeans (US)	£162.5w	+0.5
Cotton "A" index	65.50c	-0.85
Wooltops (64s Super)	600p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-May. u-Apr/Sep. x-May/Sep. y-Apr. t-May/Jul. s-Apr/May.†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne	Close	Previous	High/Low
May	889	893	900 885
Jly	905	905	915 900
Sep	923	925	934 919
Dec	946	949	955 943
Mar	969	973	978 966
May	989	990	993 985
Jul	1008	1007	1010 1005

Turnover: 3830 (2747) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for April 13 : 1169.42 (1164.38) .10 day average for April 14 : 1176.40 (1182.31).

COFFEE £/tonne	Close	Previous	High/Low
May	1109	1120	1126 1107
Jly	1130	1141	1147 1129
Sep	1150	1162	1165 1150
Nov	1170	1183	1188 1170
Jan	1193	1203	1205 1193
Mar	1213	1225	1223 1212
May	1235	1242	1242

Turnover: 2641 (2536) lots of 5 tonnes
ICO indicator prices (US cents per pound) for April 13: Comp. daily 1979 116.84 (116.40); 15 day average 116.72 (116.65).

SUGAR $ per tonne			
Raw	Close	Previous	High/Low
May	194.60	196.80	197.60 190.20
Aug	194.80	196.00	197.40 190.00
Oct	195.00	196.80	197.40 189.60
Dec	194.80		195.60 195.60
Mar	196.00	197.40	197.00 192.60
May	197.00		197.80 193.40
White	Close	Previous	High/Low
May	241.50	242.50	242.50 230.00
Aug	238.00	239.00	239.00 233.20
Oct	237.50	238.00	238.00 234.00
Dec	237.00	236.00	
Mar	239.00	241.00	241.00 236.50
May	240.00	242.00	

Turnover: Raw 4818 (3546)lots of 50 tonnes; White 2960 (1982).
Paris- White (FFr per tonne): May 1325, Aug 1335, Oct 1336, Dec 1340, Mar 1365, May 1370

GAS OIL $/tonne	Close	Previous	High/Low
May	147.50	145.25	149.75 144.50
Jun	144.50	142.50	145.25 141.75
Jul	145.50	142.25	144.25 141.50
Aug	145.25	142.25	145.75 143.75
Sep	144.50		144.50

Turnover: 5836 (3622) lots of 100 tonnes

GRAINS £/tonne			
Wheat	Close	Previous	High/Low
May	103.20	102.65	103.20 102.85
Jly	105.55	104.95	105.55 105.15
Sep	101.50	101.50	101.50
Nov	103.10	103.05	103.10 103.00
Jan	105.70	105.60	105.70
Mar	107.65	107.55	107.65
May	109.60	109.50	109.60
Barley	Close	Previous	High/Low
May	103.70	103.20	103.70 103.20
Sep	98.25	98.35	98.25
Nov	100.60	100.95	100.95 100.60
Jan	102.80	102.95	102.80
Mar	104.45	104.60	104.45

Turnover: Wheat 154 (195) , Barley 40 (10) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2345-55	2570-90		2390-5		
3 months	2150-60	2200-10		2160-70		4,268 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 31,225 tonne
Cash	1260-70	1385-90	1295/1290	1294-5		
3 months	1158-9	1189.5-90	1171/1154	1164-5	1163-4	60,360 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,275 tonne
Cash	1207-9	1231-3	1220/1207	1220-1		
3 months	1136-7	1162-3	1151/1130	1150-1	1142-3	70,384 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1165-75	1190-200		1165-85		
3 months	1100-10	1095-1105		1115-25		13 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	638-41	637-40	632	632-4		
3 months	648-50	648-51		642-5	647-50	668 lots
Lead (£ per tonne)						Ring turnover 6,225 tonne
Cash	342-4	347-8	347.5/347	347-7.5		
3 months	331-2	336-7	336/332	335-5.5	332.5-3.5	11,460 lots
Nickel ($ per tonne)						Ring turnover 960 tonne
Cash	17700-8000	17500-600	18000	18000-100		
3 months	14350-400	14550-600	15212/14000	14500-600	14300-400	7,531 lots
Zinc (£ per tonne)						Ring turnover 11,100 tonne
Cash	561-3	571-2	576/570	576-7		
3 months	553-4	561-2	557/554	566-7	564-5	18,910 lots

POTATOES £/tonne	Close	Previous	High/Low
May	101.00	100.00	104.00 100.00
Nov	88.50	87.00	88.90
Feb	96.60	96.60	
Apr	130.00	128.00	130.00 128.00
May	139.00	136.20	136.00

Turnover: 285 (675) lots of 100 tonnes.

SOYABEAN MEAL £/tonne	Close	Previous	High/Low
Jun	129.50	132.00	132.50 129.50
Aug	129.00	131.00	130.50 129.00
Oct	131.50	132.60	132.00 131.50
Dec	133.50		134.60 133.50

Turnover: 170 (105) lots of 100 tonnes.

FREIGHT FUTURES $10/index point	Close	Previous	High/Low
Apr	1521.0	1533.0	1535.0 1518.0
Jly	1422.0	1443.0	1450.0 1418.0
Oct	1450.0	1486.0	1460.0 1450.0
Jan	1445.0	1475.0	1460.0 1445.0
Apr	1487.5	1512.5	1487.5
Jul	1362.5	1386.0	1362.5
Oct	1375.0	1422.5	1375.0
BFI	1541.5	1544.0	1541.5

Turnover: 660 (808)

FRUIT AND VEGETABLES
Pears are abundant this week, with new supplies of Cape and Australian packhams, 30-50p ,in the shops. The prices of oranges 6-25p, bananas 35-50p, and lemons 10-22p, remain the same, but strawberries are down to 50-60p a half pound (60-80p) as Spanis supplies increase. Cauliflowers are increasingly available 45-70p (60p-60p) following recent warmer weather, but potatoes, whites 11-14p, reds 12-14p, and leeks 40-60p are all are all unchanged on last week. Courgettes are up to 60-80p (55-75p) as imports become slightly shorter. Round lettuce are more widley available, 22-30p (25-35p), and quality is improved. English, Dutch and Gurnsey hothouse tomatoes, 80p-95p, and cucumbers, 40-60p, are still in good supply but supplies of celery are short at 50-70p (40-60p).

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	450½-451	240¼-240¾
Opening	447-447½	242½-243
Morning fix	447.00	242.753
Afternoon fix	450.35	240.212
Day's high	451½-452	
Day's low	446½-447	
Coins	$ price	£ equivalent
US Eagle	464-469	247½-250½
Mapleleaf	464-469	247½-250½
Britannia	464-469	247½-250½
Krugerrand	449¼-452¼	239½-241½
1/2 Krug	233-242	124¼-129
1/4 Krug	116-124	61¾-66
Angel	460-465	245¾-248
1/10 Angel	46-51	24½-27¼
New Sov.	106-107	56½-57¼
Old Sov.	106-107½	56½-57½
Noble Plat	538¾-545	292½-295

Silver fix	p/fine oz	US cts equiv
Spot	344.95	635.55
3 months	352.10	646.80
6 months	359.45	658.15
12 months	376.40	685.15

LONDON METAL EXCHANGE TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
2050	334	241	2	109
2200	196	165	16	181
2350	94	109	61	272
Aluminium (99.5%)	Calls		Puts	
2050	322	238	4	132
2200	190	166	21	208
2350	91	112	72	302
Copper (Grade A)	Calls		Puts	
2000	253	291	7	105
2150	131	158	34	177
2300	62	100	105	259

US MARKETS

PRECIOUS METALS reacted to the worse-than-expected U.S. trade deficit figure as short-covering touched off commission house stops to push values higher, reports Drexel Burnham Lambert. The markets took a breather mid-session before a renewed wave of local and commission house buying extended the rally in the face of trade selling and mixed profittaking. Copper rallied as arbitrage buying prompted local buying and touched-off commission house stops before local selling pared gains. Crude oil rallied on technical and local buying with the trade a light seller. Coffee rallied under the influence of trade buying which led to speculative short-covering and buy stops. Cocoa traded nervously, initially rallying against the weaker U.S. currency, but ran into overhead trade selling. Sugar fell as commission house selling touched off stops, but origin support emerged prompting a short-covering rally. The grains featured heavy fund and speculative selling before late local buying forced short-covering. Cattle futures were firm as the market corrected an oversold situation and reflecting a steady undertone in the beef market.

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Apr	454.0	447.0	456.0	447.0
Jun	456.5	449.6	457.8	449.8
Aug	461.1	453.9	462.0	454.0
Oct	465.9	458.5	467.0	462.3
Dec	470.7	463.2	472.0	463.5
Feb	475.7	468.1	476.0	472.8
Apr	481.0	473.2	477.0	477.0
Jun	486.3	478.5	478.2	478.2
Aug	492.3	484.1	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Apr	537.9	520.3	536.0	528.0
Jul	540.4	522.8	543.0	527.0
Oct	545.8	527.8	548.5	538.0
Jan	552.1	533.8	549.5	544.5
Apr	558.5	540.2	0	0
Jul	565.5	547.2	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Apr	645.0	632.5	0	0
May	647.0	634.5	651.5	635.0
Jun	651.4	638.6	654.0	653.0
Jul	655.7	643.0	660.0	642.8
Sep	663.9	651.0	666.0	651.0
Dec	677.0	663.9	681.0	664.0
Jan	681.0	667.9	0	0
Mar	690.3	677.0	690.0	677.0
May	700.0	686.5	700.0	700.0
Jul	710.4	696.7	0	0

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Apr	98.95	93.45	97.00	95.80
May	95.95	92.95	96.30	94.00
Jun	93.35	90.50	90.00	90.00
Jul	90.85	88.10	91.20	88.80
Sep	87.15	84.70	87.40	85.70
Dec	82.85	180.60	83.00	81.30
Jan	82.00	179.90	0	0
Mar	80.35	178.60	78.80	79.00
May	78.95	777.30	80.00	80.00
Jul	78.00	76.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low	
May	18.23	18.12	18.30	18.12
Jun	18.12	17.98	18.17	18.03
Jul	18.04	17.88	18.07	17.95
Aug	17.92	17.78	17.96	17.86
Sep	17.83	17.69	17.86	17.75
Oct	17.75	17.61	17.79	17.68
Nov	17.73	17.53	17.76	17.60
Dec	17.60	17.46	17.65	17.51
Jan	17.53	17.38	17.55	17.42
Feb	17.33	17.31	17.33	17.33

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low	
May	49.45	49.02	49.60	49.20
Jun	48.10	47.73	48.25	47.86
Jul	47.75	47.31	47.90	47.50
Aug	48.20	47.74	48.35	47.90
Sep	48.81	48.37	49.00	48.72
Oct	49.45	48.97	49.45	49.40
Nov	50.20	49.67	50.20	50.05
Dec	50.80	50.22	50.80	50.80

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
May	1513	1511	1530	1510
Jul	1546	1543	1567	1543
Sep	1576	1566	1590	1573
Dec	1611	1600	1626	1608
Mar	1648	1639	1670	1645
May	1670	1664	1690	1667
Jul	1697	1689	1696	1692
Sep	1720	1714	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
May	135.37	134.81	135.40	133.65
Jul	137.79	136.99	137.90	136.10
Sep	139.40	138.81	139.70	138.20
Dec	141.20	141.39	141.70	140.75
Mar	142.28	142.55	142.90	141.80
May	143.75	143.98	143.10	142.75
Jul	145.25	145.60	143.80	143.00
Sep	145.00	146.00	143.50	143.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
May	8.58	8.76	8.80	8.45
Jul	8.57	8.83	8.83	8.47
Oct	8.74	8.84	8.84	8.48
Jan	8.72	8.82	0	0
Mar	8.80	8.83	8.84	8.54
May	8.85	8.90	8.85	8.63
Jul	8.87	8.94	8.94	8.87

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
May	62.95	63.05	63.30	62.05
Jul	61.12	61.80	62.00	60.60
Oct	58.05	58.57	58.70	58.00
Dec	56.48	57.27	57.25	56.30
Mar	57.31	58.06	58.00	57.40

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
May	169.50	169.95	169.75	169.10
Jul	166.60	167.30	166.90	166.45
Sep	163.25	163.90	163.60	163.00
Nov	158.25	158.90	158.60	158.10
Jan	153.80	154.30	0	0
Mar	153.80	154.30	0	0
May	154.00	154.30	0	0
Jul	153.80	154.30	0	0
Sep	153.80	154.30	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Apr 13	Apr 12	mnth ago	yr ago
1786.0	1782.8	1724.7	1562.7

DOW JONES (Base: December 31 1974 = 100)				
Spot	129.50	130.63	129.54	120.63
Futures	132.53	133.46	132.56	120.43

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
May	677/4	675/4	678/0	666/2
Jul	687/0	684/4	688/0	675/0
Aug	689/2	687/4	691/0	678/4
Sep	690/4	689/2	691/0	680/0
Nov	699/4	694/2	702/0	685/0
Jan	707/0	702/0	707/4	693/4
Mar	713/4	710/0	713/4	701/4
May	719/0	715/4	719/0	708/0
Jul	720/4	717/4	720/4	710/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
May	21.97	22.05	22.08	21.61
Jul	22.33	22.45	22.47	21.98
Aug	22.45	22.60	22.65	22.18
Sep	22.57	22.65	22.70	22.30
Oct	22.65	22.75	22.78	22.35
Dec	23.02	23.00	23.10	22.66
Jan	23.02	23.01	23.05	22.75
Mar	22.97	23.02	22.95	23.00
May	22.97	23.17	22.95	23.00
Jul	22.97	23.17	22.95	23.00

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
May	199.6	199.6	199.7	196.5
Jul	200.6	201.1	201.0	197.3
Aug	201.5	202.1	202.0	198.4
Sep	202.2	203.0	203.0	200.0
Oct	203.0	204.0	204.0	200.7
Dec	207.2	207.5	207.5	203.2
Jan	207.5	208.2	207.5	204.0
Mar	210.0	211.5	210.0	206.5
May	212.5	214.0	212.0	213.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
May	204/2	204/6	204/6	201/2
Jul	212/0	212/0	212/4	209/0
Sep	217/4	217/4	217/4	214/6
Dec	225/2	224/4	225/2	221/6
Mar	233/2	232/2	233/2	229/6
May	237/4	237/0	237/4	235/0
Jul	239/4	239/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
May	316/4	318/2	318/0	314/0
Jul	325/4	327/2	327/0	323/4
Sep	332/0	332/6	332/6	330/2
Dec	342/4	343/4	343/6	340/2
Mar	348/0	349/4	349/4	346/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Apr	73.82	73.75	73.90	73.20
Jun	69.75	69.40	69.90	69.05
Aug	66.72	66.27	66.77	66.05
Oct	65.67	65.30	65.75	64.95
Dec	67.00	66.62	67.05	66.30
Feb	66.50	66.80	66.50	66.05
Apr.	68.35	67.80	68.35	67.82

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Apr	45.02	45.00	45.15	44.77
Jun	49.80	49.82	50.10	49.52
Jul	49.45	49.35	49.55	49.05
Aug	46.85	46.77	47.00	46.55
Oct	42.95	43.10	43.40	42.90
Dec	43.85	43.70	43.92	43.60
Feb	43.90	43.95	44.05	43.80
Apr	41.60	41.60	41.80	41.45

PORK BELLIES 38,000 lbs; cents/lb	Close	Previous	High/Low	
May	52.07	51.65	52.40	51.30
Jul	52.42	52.07	52.80	51.75
Aug	51.45	51.15	51.80	50.90
Feb	59.92	59.32	60.15	58.52
Mar	58.70	58.70	59.05	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on trade figures

THE US trade figures were described as "a bit of a shock" by Mr Rupert Thompson, international economist at Morgan Grenfell. This was probably something of an understatement, with foreign exchange dealers saying the data were catastrophic, while some were apparently left speechless.

Central banks intervened, in an attempt to limit the dollar's fall after the trade announcement, but according to dealers in London the timing was bad. So many central banks appeared keen to say they were supporting the dollar that this probably led to some panic, and no desire in the market to hold on to the US currency.

By any judgement the trade figures were not good, with the deficit in February widening to $13.83bn, from $12.44bn in January.

Seasonal factors alone should have produced a narrowing in the shortfall, although Mr Thompson suggested the figures may be distorted, and that the pattern in US imports is suspiciously volatile.

Favourable seasonal factors in February will turn against the US in March, leading to suggestions that only a substantial downward adjustment in the dollar's value will eventually correct the situation.

Recent US economic figures have pointed to continued strong domestic demand, and this has sucked in imports, although there are signs in the latest figures that part of this import penetration is in capital goods, which should at some time be turned into rising exports.

The dollar touched a peak of nearly DM1.70 in Europe before the trade figures, but fell to a low of DM1.6575 in immediate reaction to the news, before rallying slightly to close in London at DM1.6620, compared with DM1.6925 on Wednesday.

The figures also pushed the dollar down to a low of Y123.00 against the yen, before it bounced to Y123.65, against Y126.30 previously.

Against other major currencies the dollar fell to SFr1.3730 from SFr1.4025 and to FFr5.64 from FFr5.7375.

According to the Bank of England the dollar's exchange rate index fell to 92.3 from 93.5.

STERLING - Trading range against the dollar in 1987/88 is 1.8890 to 1.4710. March average 1.8382. Exchange rate index rose 0.4 to 77.9, compared with 73.3 six months ago.

Sterling rose in line with other major currencies against the dollar, on publication of the US trade figures, but failed to show any strong independent movement.

The pound gained 4.60 cents to $1.8755, but by the London close had only advanced to DM3.1175 from DM3.1125, although in after hours trading it broke through DM3.12. Sterling also improved to FFr10.5800 from FFr10.5550, but eased to Y232 from Y232.25, and to SFr2.5750 from SFr2.58.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. March average 1.6766. Exchange rate index 149.0 against 146.5 six months ago.

The dollar fell to DM1.6650 at the Frankfurt close, from DM1.6900 on Wednesday. The Japanese yen was particularly firm, after the US trade news, rising on a cross rate against the D-Mark to DM1.3440 per 100 yen from DM1.3390.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 127.08. Exchange rate index 246.7 against 222.7 six months ago.

The yen held steady in Tokyo, as the market showed no reaction to the commitment of Group of Seven ministers to currency stability. Trading was quiet, with dealers waiting for publication of the US trade figures. The dollar closed at Y126.15 in Tokyo, down from Wednesday's finish of Y126.45.

£ IN NEW YORK

Apr.14	Latest	Previous Close
£ Spot	1.8760-1.8770	1.8385-1.8395
1 month	0.17-0.15pm	0.19-0.17pm
3 months	0.55-0.51pm	0.56-0.53pm
12 months	2.05-1.95pm	2.24-2.14pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.14	Previous
8.30 am	77.4	77.6
9.00 am	77.4	77.6
10.00 am	77.4	77.6
11.00 am	77.4	77.6
Noon	77.4	77.6
1.00 pm	77.4	77.6
2.00 pm	77.8	77.6
3.00 pm	77.9	77.5
4.00 pm	77.9	77.5

CURRENCY RATES

Apr.14	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.742365	0.665704
U.S. Dollar	6	1.36907	1.22689
Canadian $	8.75	1.69532	1.51730
Austrian Sch.	3	16.2865	14.5816
Belgian Franc	6½	48.4856	43.4074
Danish Krone	7½	8.87773	7.94412
Deutsche Mark	2½	2.31770	2.07492
Neth. Guilder	3¼	2.59918	2.32790
French Franc	9½	7.86120	7.03580
Italian Lira	12½	1718.65	1538.52
Japanese Yen	2½	173.795	154.588
Norway Krone	8	8.60734	7.71229
Spanish Peseta	-	153.874	138.050
Swedish Krona	7½	8.14849	7.28835
Swiss Franc	2½	1.91807	1.71765
Greek Drach.	20½	185.139	165.729
Irish Punt	-	0.865842	0.776956

*All SDR rates for Apr.13

CURRENCY MOVEMENTS

Apr.14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.9	-15.8
U.S. Dollar	92.3	-13.4
Canadian Dollar	80.9	-5.4
Austrian Schilling	140.0	+10.5
Belgian Franc	100.5	-5.1
Danish Krone	92.8	+1.6
Deutsche Mark	149.0	+22.5
Swiss Franc	176.5	+23.3
Guilder	138.0	+16.2
French Franc	71.5	-13.8
Lira	46.6	-20.0
Yen	246.7	+83.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates for Apr.13

OTHER CURRENCIES

Apr.14	£	$
Argentina	10.2705-10.3320	5.5100-5.5400
Australia	2.5015-2.5045	1.3375-1.3385
Brazil	229.06-230.45	122.30-122.90
Finland	7.4670-7.5130	3.9900-3.9920
Greece	246.20-251.50	133.70-136.50
Hong Kong	14.6140-14.6430	7.8065-7.8085
Iran	124.10*	66.70*
Korea(Sth)	1360.40-1372.70	739.90-745.90
Kuwait	0.51370-0.51420	0.27465-0.27475
Luxembourg	65.30-65.40	34.80-34.90
Malaysia	4.7995-4.8230	2.5620-2.5720
Mexico	4147.40-4168.30	2225.00-2235.00
N. Zealand	2.8190-2.8240	1.5075-1.5100
Saudi Ar.	7.0140-7.0200	3.7500-3.7520
Singapore	3.7435-3.7570	2.0020-2.0070
S. Af (Cm)	3.9925-4.0155	2.1360-2.1390
S. Af (Fn)	5.5175-5.6335	2.9410-3.0030
Taiwan	52.60-52.85	28.60-28.70
U.A.E.	6.8690-6.8750	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4074	+2.24	+0.98	±1.5344
Danish Krone	7.85212	7.94412	+1.17	-0.09	±1.5404
German D-Mark	2.05853	2.07492	+0.80	-0.46	±1.0981
French Franc	6.90403	7.03580	+1.90	+0.64	±1.3674
Dutch Guilder	2.31943	2.32790	+0.37	-0.89	±1.5012
Irish Punt	0.768411	0.776956	+1.11	-0.15	±1.6684
Italian Lira	1483.58	1538.52	+3.70	+2.98	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Apr.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8390-1.8780	1.8750-1.8760	0.18-0.15cpm	1.06	0.55-0.50pm	1.12
Canada	2.2770-2.3220	2.3155-2.3165	0.08-0.19cdis	-0.70	0.27-0.40dis	-0.58
Netherlands	3.49-3.50¼	3.49¼-3.50¼	1½-¾cpm	3.86	4-3¼pm	4.15
Belgium	65.10-66.20	65.30-65.40	21-3cpm	2.20	46-26pm	2.20
Denmark	11.92-11.99¼	11.98¼-11.99½	par-1¾oredis	-0.69	1-2¾dis	-0.65
Ireland	1.1655-1.1725	1.1680-1.1690	0.13-0.20pdis	-1.69	0.38-0.53dis	-1.56
W. Germany	3.10-3.12¼	3.11½-3.12	1¼-1pfpm	4.33	3⅞-3½pm	4.73
Portugal	253.75-256.20	254.95-255.95	60-110cdis	-3.99	184-290dis	-3.71
Spain	206.70-208.55	207.35-207.65	25-45cdis	-2.02	75-101dis	-1.70
Italy	2307½-2315¼	2313¾-2314¾	1-6liredis	-1.81	11-16dis	-2.33
Norway	11.59-11.66	11.63¾-11.64¾	4⅞-6¼oredis	-2.88	15⅞-16⅞dis	-2.79
France	10.54-10.59	10.57½-10.58½	⅛pm-½cpm	-	¾pm-¾dis	-0.04
Sweden	10.94¼-11.02¼	11.01-11.02	⅝-1⅞oredis	-1.50	3¼-4¼dis	-1.36
Japan	231¼-232½	231½-232½	1¼-½ypm	4.20	2¾-2½pm	4.20
Austria	21.80-21.94	21.90-21.94	8-6⅞gropm	4.07	24⅞-21¼pm	4.15
Switzerland	2.57-2.58¼	2.57-2.58	1⅝-1cpm	6.12	4¼-3½pm	6.02

Belgian rate is convertible francs. Financial franc 65.70-65.80. Six-month forward dollar 1.12-1.07cpm 12 month 2.15-2.05cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8390-1.8780	1.8750-1.8760	0.18-0.15cpm	1.06	0.55-0.50pm	1.12
Ireland†	1.5775-1.6045	1.6035-1.6045	0.10-0.20cdis	-1.14	0.30-0.45dis	-0.95
Canada	1.2350-1.2390	1.2365-1.2375	0.18-0.21cdis	-1.89	0.52-0.55dis	-1.73
Netherlands	1.8600-1.8990	1.8645-1.8655	0.47-0.45cpm	2.91	1.43-1.38pm	2.96
Belgium	34.75-35.40	34.80-34.90	4-2cpm	1.02	11-7pm	1.02
Denmark	6.36½-6.48¼	6.39-6.39½	0.70-1.30oredis	-1.85	2.70-3.30dis	-1.85
W. Germany	1.6575-1.6990	1.6615-1.6625	0.51-0.48pfpm	3.51	1.54-1.49pm	3.58
Portugal	138¼-138½	138¼-138½	50-70cdis	-5.21	195-205dis	-5.21
Spain	110.30-112.85	110.90-111.00	25-35cdis	-3.20	80-90dis	-3.02
Italy	1228-1255½	1233¾-1234¾	2.60-3.60liredis	-2.97	10.60-11.60dis	-3.54
Norway	6.20-6.30	6.20½-6.21	3.40-3.75oredis	-6.82	10.45-10.85dis	-6.77
France	5.60-5.74	5.63¾-5.64¼	0.40-0.60cdis	-1.05	1.75-1.95dis	-1.29
Sweden	5.86½-5.95	5.87-5.87½	1.20-1.40oredis	-2.62	3.65-3.95dis	-2.56
Japan	123.00-126.95	123.60-123.70	0.33-0.28ypm	2.90	0.96-0.91pm	2.96
Austria	11.69-11.89	11.69¼-11.69¾	3.25-2.95gropm	3.13	9.20-8.20pm	2.93
Switzerland	1.3600-1.4100	1.3725-1.3735	0.59-0.54cpm	4.84	1.72-1.67pm	4.84

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.00-35.10.

EURO-CURRENCY INTEREST RATES

Apr.14	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: [illegible]

EXCHANGE CROSS RATES

Apr.14	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.388	0.729	1.211	90.10	4.109	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.286	0.536	0.891	66.32	3.025	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.432	0.811	1.347	100.3	4.572	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.432	0.810	1.346	100.2	4.568	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.530	2.871	4.771	355.0	16.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

US Treasury bonds weaker

DOLLAR DENOMINATED contracts weakened on futures markets, following the announcement of very disappointing US trade figures in February.

The February deficit of $13.83bn, compared with forecasts of around $11bn and in some cases less than $10bn.

Any figure over $12bn was likely to depress the dollar, and the financial markets reacted with some alarm to the announcement.

US Treasury bond prices fell over 1 point in immediate reaction to the trade news, with June delivery touching a low of 89-09 on Liffe, compared with 90-22 shortly before the announcement. The contract closed at 89-14, compared with 90-14 on Wednesday.

Sterling contracts remained in a tight range, but turnover was higher in long gilt futures, at 21,406, compared 13,233 on Wednesday. Mr Nick Parsons, at Union Discount, said long gilt futures finished around the top of the day's range, but there seemed no desire to buy fixed term instruments for their own sake.

He added there was little or no enthusiasm in the market. Buying of gilts was an insurance against another sharp fall in equities, with the market remaining nervous about another crash in share prices.

This may have been a premature judgement, according to Mr Parsons, but reflects the sudden turnround in equity prices after the US trade announcement.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
116	646	—	2	—
118	451	—	7	—
120	303	—	23	—
122	140	—	60	—
124	45	—	201	—
126	17	—	337	—
128	6	—	526	—

Estimated volume total, Calls 3318 Puts 2278
Previous day's open int. Calls 36919 Puts 26048

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	734	—	6	—
84	544	533	16	105
86	358	411	30	147
88	224	303	60	239
90	115	201	151	337
92	34	121	306	457
94	14	54	450	626

Estimated volume total, Calls 51 Puts 366
Previous day's open int. Calls 2911 Puts 918

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	Calls-settlements MAY	Puts-settlements Apr	Puts-settlements MAY
16500	1337	1417	2	82
17000	856	1016	21	181
17500	443	682	108	347
18000	169	426	334	591
18500	44	246	709	911
19000	7	131	1172	1296
19500	1	64	1666	1729

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 45 Puts 109

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT — [illegible]

7-10 YEAR 9% NOTIONAL GILT — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND — [illegible]

THREE-MONTH STERLING — [illegible]

US TREASURY BONDS — [illegible]

THREE-MONTH EURODOLLAR — [illegible]

FT-SE 100 INDEX — £25 per full index point — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% — [illegible]

U.S. TREASURY BILLS (IMM) — [illegible]

JAPANESE YEN (IMM) — [illegible]

DEUTSCHE MARK (IMM) — [illegible]

SWISS FRANC (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

CURRENCY FUTURES

[illegible]

MONEY MARKETS

Muted reaction

REACTION IN London to the US trade figures was rather muted, as sterling did not show any strong upward movement against currencies, other than the dollar.

Three-month interbank was steady at 8⅝-8½ p.c., compared with 8¾-8⅝ p.c. on Wednesday.

Over the next week or so dealers will wait to see if the poor US trade data lead to a continued weakening of the dollar and a flow of speculative money into London.

Although the pound has tended to drift down against the D-Mark this week, it has been suggested that disappointing US trade figures could produce an upturn in demand for sterling, possibly pushing the currency up towards DM3.15.

UK clearing bank base lending rate 8 per cent from April 11

This is the level where dealers believe the Bank of England may be forced into signalling another cut in UK bank base rates.

The Bank of England initially forecast a money market shortage of £900m, but revised this to £850m in the afternoon, and provided total help of £760m.

An early round of assistance was offered, and at that time the authorities bought £243m bills, including £183m outright, by way of £125m bank bills in band 1 at 7⅞ p.c., and £58m bank bills in band 2 at 7⅞ p.c.

Another £60m bills were purchased, for resale to the market on May 9 at 7[illegible] p.c.

Before lunch the Bank of England also bought £91m bills outright, through £68m bank bills in band 1 at 7⅞ p.c. and £23m bank bills in band 2 at 7⅞ p.c.

In the afternoon the authorities gave help of £291m, buying £261m bills outright, by way of £201m bank bills in band 1 at 7⅞ p.c., and £60m bank bills in band 2 at 7⅞ p.c. Another £30m bills were purchased, for resale to the market on May 9, at 7[illegible] p.c.

Late assistance of £135m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £421m, with Exchequer transactions absorbing £335m, a rise in the note circulation £25m, and bank balances below target £95m. There were no significant offsetting factors.

In Frankfurt call money eased to 3.20 p.c. from 3.25 p.c. as credit conditions remained very comfortable. The general tone was for an easing of interest rates, with dealers seeing no significant negative factors on the horizon.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr 14) 3 months US dollars | 6 months US Dollars

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

Apr.14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Apr.14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): [illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$440	74	17.50	-	-	-	-	$451.60
GOLD C	$480	100	1.10	24	10	-	-	$451.60
GOLD P	$420	120	1.10	42	5.20			$451.60
GOLD P	$440	33	3.50	78	8	183	11.20 B	$451.60
GOLD P	$460	292	12.30	-	-	-	-	$451.60
		Apr 88		**May 88**		**Jan. 88**		
EOE Index C	Fl. 200	126	10.50 B	102	11.50	15	13.50	Fl. 211.33
EOE Index C	Fl. 205	404	6.20	67	9.50	-	-	Fl. 211.33
EOE Index C	Fl. 210	328	2.50	271	6.50	72	8	Fl. 211.33
EOE Index C	Fl. 215	462	0.30	265	4.50	45	6	Fl. 211.33
EOE Index C	Fl. 220	240	0.10	369	2.70	118	4 B	Fl. 211.33
EOE Index C	Fl. 225	-	-	148	1.80	12	4 A	Fl. 211.33
EOE Index P	Fl. 190	13	0.10	63	3.50	14	4.50	Fl. 211.33
EOE Index P	Fl. 195	42	0.30	82	4.70	108	6.70	Fl. 211.33
EOE Index P	Fl. 200	227	0.40 A	239	6.40	277	8.60 A	Fl. 211.33
EOE Index P	Fl. 205	139	0.60	206	8.50	5	11	Fl. 211.33
EOE Index P	Fl. 210	483	2	238	9.80	119	12	Fl. 211.33
EOE Index P	Fl. 215	311	6.50	123	13	7	16	Fl. 211.33
EOE Index P	Fl. 220	92	9.50	2	15 B	4	17.90	Fl. 211.33
S/Fl C	Fl. 185	35	2	205	3	1	5 A	Fl. 186.90
S/Fl C	Fl. 190	613	0.05	345	1	31	2	Fl. 186.90
S/Fl C	Fl. 195	-	-	70	0.60 A	84	1.40	Fl. 186.90
S/Fl P	Fl. 185	3170	0.15	55	2	4	3 B	Fl. 186.90
S/Fl P	Fl. 190	150	3.50	20	4.50	5	5.50	Fl. 186.90
		Apr. 88		**Jul 88**		**Oct. 88**		
ABN C	Fl. 40	1046	0.30	282	1.50	631	2.40	Fl. 39.60
ABN P	Fl. 40	481	0.90	77	3	53	4.70	Fl. 39.60
AEGON C	Fl. 80	113	0.10	539	1.20 B	10	2.50	Fl. 76
AEGON P	Fl. 75	17	0.90	110	4.90	-	-	Fl. 76
AHOLD C	Fl. 75	226	0.10	157	2	-	-	Fl. 72.40
AHOLD P	Fl. 70	18	0.40 A	119	3.80	-	-	Fl. 72.40
AKZO C	Fl. 110	2249	0.20 A	2250	4.20	86	7.90	Fl. 106.70
AKZO P	Fl. 110	648	3.60	319	11.30	12	13.50	Fl. 106.70
AMEV C	Fl. 55	135	0.10	66	2 B	32	3.20	Fl. 52.50
AMEV P	Fl. 50	8	0.30	44	3.50	150	4 B	Fl. 52.50
AMRO C	Fl. 70	116	0.10	146	1.50	48	2.70	Fl. 66.60
AMRO P	Fl. 55	-	-	-	-	130	1.50	Fl. 66.60
BUHRMANN-T C	Fl. 45	420	0.90	135	3	13	4.50 A	Fl. 45.50
BUHRMANN-T P	Fl. 40	-	-	70	1.80	-	-	Fl. 45.50
ELSEVIER C	Fl. 50	687	0.90 B	104	3	61	4.70	Fl. 50.90
ELSEVIER P	Fl. 50	87	0.50	79	3	19	5.50	Fl. 50.90
GIST-BROC. C	Fl. 35	1119	0.40	716	2.40	72	3.50	Fl. 34.40
GIST-BROC. P	Fl. 35	29	1	134	3.80	245	4.50	Fl. 34.40
HEINEKEN C	Fl. 130	411	1.50 B	178	6.50	-	-	Fl. 131.50
HOOGOVENS C	Fl. 40	152	0.10	433	2	113	3.50	Fl. 37.80
HOOGOVENS P	Fl. 35	290	0.40	155	3	11	3.30	Fl. 37.80
KLM C	Fl. 35	1113	0.80	522	2.90	227	3.30	Fl. 35.60
KLM P	Fl. 35	423	0.30	227	2.50	60	4	Fl. 35.60
KNP C	Fl. 140	-	-	111	3.60	-	-	Fl. 130.50
NEDLLOYD C	Fl. 240	-	-	474	23.80	134	28 B	Fl. 242
NEDLLOYD P	Fl. 230	93	0.80	5	16	-	-	Fl. 242
NAT.NED. C	Fl. 65	13	0.10	398	1	955	2 A	Fl. 60.10
NAT.NED. P	Fl. 60	128	0.50	76	4	18	5.90	Fl. 60.10
PHILIPS C	Fl. 30	1462	0.10	1310	1.40	160	2.30 B	Fl. 28.60
PHILIPS P	Fl. 30	529	1.70	361	2.70	156	3.50	Fl. 28.60
ROYAL DUTCH C	Fl. 230	2069	1.50	1047	5.50	141	7.70	Fl. 229.40
ROYAL DUTCH P	Fl. 220	233	0.30 A	728	8.50	76	13 B	Fl. 229.40
ROBECO C	Fl. 90	76	1.80	1	3 A	-	-	Fl. 92.10
UNILEVER C	Fl. 120	947	0.10	436	3.20	142	5.50	Fl. 111.30
UNILEVER P	Fl. 110	934	0.50	599	6.50	218	8.50 B	Fl. 111.30

TOTAL VOLUME IN CONTRACTS : 79,281

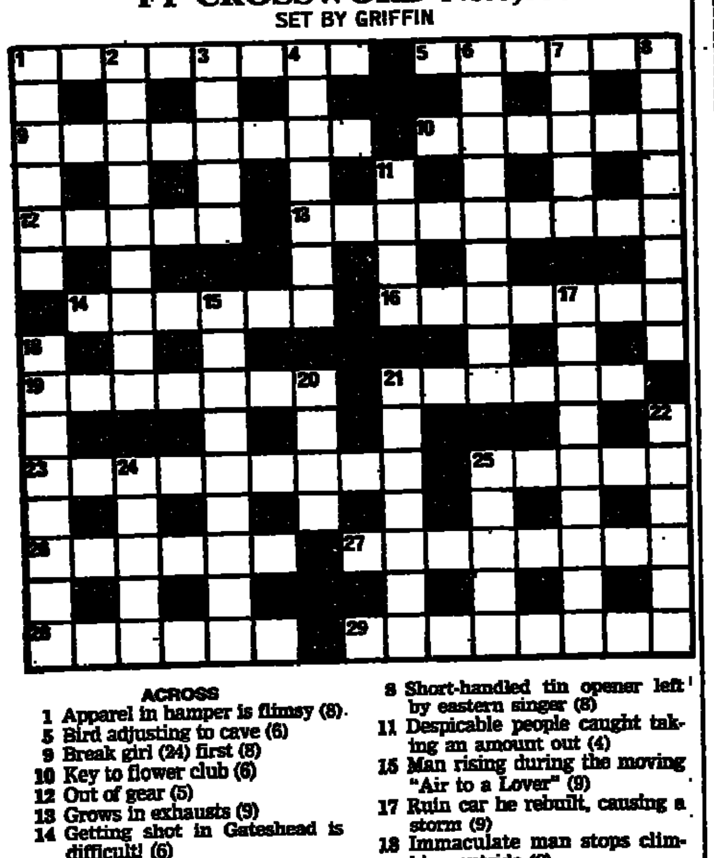
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8	Citibank NA	8	Nat Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk. N. East	8	Norwich Gen. Trust	8
Henry Ansbacher	8½	Consolidated Cred	8½	PK Finans. Int(UK)	9
ANZ Banking Group	8	Co-operative Bank	*8	Provincial Bank PLC	9½
Associates Cap Corp	10	Cyprus Popular Bk	8½	R. Raphael & Sons	8
Authority Bank	8	Dunbar Bank PLC	8	Roxburghe G'rantee	9½
B & C Merchant Bank	8	Duncan Lawrie	8	Royal Bk of Scotland	8
Banco de Bilbao	8	Equatorial Bank plc	8½	Royal Trust Bank	8
Bank Hapoalim	8	Exeter Trust Ltd	8½	Smith & Williams Secs.	8
Bank Leumi (UK)	8	Financial & Gen. Sec.	8	Standard Chartered	8
Bank Credit & Comm	8	First Nat. Sec. Ltd.	9½	TSB	8
Bank of Cyprus	8	● Robert Fleming & Co.	8	UDT Mortgage Exp	¶9¾
Bank of Ireland	8	Robert Fraser & Ptrs.	9	United Bk of Kuwait	8
Bank of India	8	Girobank	8	United Mizrahi Bank	8
Bank of Scotland	8	Grindlays Bank	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	● Guinness Mahon	8	Western Trust	8
Barclays Bank	8	HFC Bank PLC	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	● Hambros Bank	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	Heritable & Gen Inv Bk	8	Yorkshire Bank	8
Brit. Bk of Mid East	8	● Hill Samuel	§8		
● Brown Shipley	8	C. Hoare & Co.	8		
Business Mtge Tst	8½	Hongkong & Shangh	8		
CL Bank Nederland	8	Lloyds Bank	8		
Central Capital	8	Meghraj Bank Ltd	8		
● Charterhouse Bank	8	Midland Bank	8		
		Mount Bnkg Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.625% - 10%

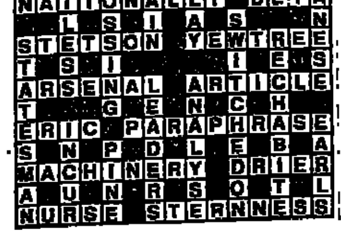
FT CROSSWORD No.6,606
SET BY GRIFFIN



ACROSS
1 Apparel in hamper is flimsy (8)
5 Bird adjusting to cave (6)
9 Break girl (24) first (8)
10 Key to flower club (6)
12 Out of gear (5)
13 Grows in exhausts (9)
14 Getting shot in Gateshead is difficult! (6)
16 Officer in alarm unusually quiet (7)
19 Spend years on course (7)
21 Accountant leaves girl to carry drink (6)
23 Making gear oil change, volunteers to call round (9)
25 Start with eccentric Aries (5)
26 Film people backing trade in bizarre sex (6)
27 Still upset, Ann's packing in a male model (8)
28 Soldiers in plastic macs laugh uncontrollably (6)
29 Audrey turned to embrace lieutenant, being unfaithful (8)

DOWN
1 Customer finds lice crawling on books (6)
2 Tout risks travelling round the edge of town (9)
3 Male staff of cruel king (5)
4 Approaching in gear, turns north first (7)
6 They make up the personal column (9)
7 Many against going into backwater grottoes (5)
8 Short-handled tin opener left by eastern singer (8)
11 Despicable people caught taking an amount out (4)
15 Man rising during the moving "Air to a Lover" (9)
17 Ruin car he rebuilt, causing a storm (9)
18 Immaculate man stops climbing outside (8)
20 Cried endlessly, upsetting him (4)
21 Spotted about eight in an empty shed (7)
22 Go after information for the aristocracy (6)
24 Get stiff down below? (5)
25 Royal head of Russia left years back (5)

Solution to Puzzle No.6,605



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth			0345 717373	
High Income				
American Income	40.6	43.4	+0.2	6.31
Gilts & Fixed Int.	113.9	122.0	-0.2	8.20
High Inc Equity	115.8	123.1	+0.6	4.83
Worldwide Bond	186.6	198.4	+0.7	4.89
Capital Growth				
American Growth	144.7	153.9	-0.1	1.57
Asian Pacific	61.0	64.8	+0.2	1.17
Assets & Earnings	135.3	143.9	+0.8	1.74
Capital Reserve	78.1	78.3	----	3.83
Comdty & Energy	85.9	91.8	+0.8	1.07
European Capital	66.7	71.3	+0.5	1.05
General	161.8	172.1	+1.5	2.61
Japan	95.9	102.5	+0.6	0.00
Mastertrust	69.3	74.1	+0.4	2.36
UK Growth Acc.	184.9	196.7	+1.6	1.35
UK Growth Dist.	125.8	135.8	+1.1	1.98
US Emerging Cos.	39.8	42.5	--	0.00
Income & Growth	247.9	263.7	+1.3	3.60
Ethical Growth	39.9	42.6	-1.0	2.95
Allbrust Management Ltd				
10 Queens Terrace, Aberdeen AB9 1QJ			0224 633070	
20 Chiswell St. London EC1Y 4TY			01-374 6801	
UK Growth	30.6	32.5xd	+0.1	3.25
Nth Amer Inc (z)	24.0	25.5xd	+0.1	4.59
World Gwth	39.1	41.6	+0.1	1.10
Extra Income	37.7	40.1xd	+0.2	6.10
Formerly Baltic Trust Managers Limited				
American	38.7	41.2	-0.6	2.24

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FT UNIT TRUST INFORMATION SERVICE

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Intl Income	130.3	138.3xd	—	3.21
Intl Accum	200.9	212.2xd	—	3.21
UK General Acc	38.6	41.2	+0.2	3.38
UK General Inc	37.1	39.6	+0.2	3.38
American	27.7	29.5	—	2.13
European	35.4	37.8	+0.3	1.26
Japan	60.4	64.4	+0.6	0.03
Technology	35.3	37.7xd	+0.1	2.29
Performance Trusts				
Far East Perf	19.9	21.2	-0.1	2.00
High Inc Perf Inc	24.2	25.8	+0.1	5.36
High Inc Perf Acc	24.8	26.4	+0.2	5.36
W'wide Tact Perf	28.4	30.4xd	+0.2	2.72

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	212.3	227.1	+0.9	2.40
Columbus (US)	132.4	141.7	.....	1.26
Marco Polo (Pac)	226.2	242.0	+1.6	0.15
Da Vinci (Eur)	225.8	241.5	+0.9	1.59
Drake (W'd)	53.4	57.2	+0.1	2.53

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	206.4	219.6	+2.0	2.68
UK Smllr Cos Equity	210.2	223.7	+1.1	1.94
UK Spec Sits	61.9	65.9	+0.3	2.86
Income Plus	53.2	56.7	+0.3	3.48
European	163.8	174.3	+1.0	1.22
Far Eastern	55.3	58.9	+0.4	1.79
Japanese †	58.2	62.0	+0.6	—
North American	113.1	120.4	-0.2	1.46
Intl Growth	111.7	118.9	+0.6	0.92
Worldwide Venture	53.4	56.9	+0.3	3.21

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-556 2941/2/3

Equity Growth Acc	17.82	19.07	+0.06	3.15
Equity Growth Inc	17.65	18.89	+0.06	3.15
Intl Growth Acc	17.85	19.11	+0.04	1.65
Intl Growth Inc	17.75	19.00	+0.04	1.65
Global Income Acc	18.97	20.30	+0.02	5.38
Global Income Inc	18.97	20.30	+0.02	5.38
Market Leaders Acc	16.57	17.74	-0.01	3.32
Market Leaders Inc	16.35	17.50	-0.01	3.32

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

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INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	381.3	401.5	—	—
Eb'r Ph. Eq.	341.0	362.5	—	—

Pension Plan Funds
Phoenix

UK Equity Acc.	167.4	176.2	+1.0	—
International Acc.	129.1	135.8	+0.4	—
Property Acc.	127.7	134.4	—	—
Fixed Interest Acc.	157.3	165.5	-0.2	—
Money Acc.	138.2	145.4	—	—
Bldg. Soc. Link Acc.	135.2	142.3	—	—
Special Mngd. Acc.	148.6	156.4	+0.5	—

Phoenix/Framlington

Intnl. Growth Acc.	89.3	93.9	+0.6	—
Amer. & Gen. Acc.	84.4	88.8	+0.3	—
Capital Tst. Acc.	170.2	179.1	+0.6	—
Japan & Gen Acc.	189.6	199.5	+1.4	—
American Turn. Acc.	87.6	92.2	+0.7	—
Recovery Tst. Acc.	172.0	181.0	+0.8	—
Special Mngd Acc.	143.8	151.3	+0.6	—

Phoenix/GT

International Acc.	122.3	128.7	+0.3	—
US & General Acc.	90.1	94.8	+0.4	—
Amer Spec Sits Acc.	66.3	69.7	+0.1	—
Japan & General Acc.	182.6	192.2	-0.5	—
Far East & Gen. Acc.	143.8	151.3	+0.3	—
UK Capital Acc.	172.4	181.4	+0.6	—
European Acc.	132.5	139.4	+0.4	—
Special Mngd. Acc.	126.6	133.2	+0.4	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	263.8	277.7	—	—
Man Pens Inc & Cap Fds	336.4	354.2	—	—
Money Fund	112.0	117.9	—	—
Pens. Mngd Fd (Init)	83.1	87.5	—	—
Pens Mngd Fd (Acc)	94.0	99.0	—	—
Pens FT30 Fd (Init)	126.7	133.4	—	—
Pens FT30 Fd (Acc)	143.4	151.0	—	—
Pens O'seas MgFd(Init)	56.7	59.7	—	—
Pens O'seas MgFd(Acc)	64.1	67.5	—	—
Pens Fxd Int Fd (Init)	106.6	112.3	—	—
Pens Fxd Int Fd (Acc)	120.7	127.1	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

Managed Apr 13	199.1	207.4	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	435.1	458.0	+1.5	—
Equity Fd.	876.2	922.4	+4.9	—
Intnl. Fd.	306.8	323.0	+1.2	—
Fixed Int. Fd.	368.1	387.5	-0.3	—
Prop. Fd.	317.3	334.1	—	—
Cash Fd.	235.9	248.4	—	—
Pacific Basin Fd.	174.9	184.2	+1.1	—
North American Fd.	126.7	133.4	-0.2	—
European Fd.	125.2	131.8	+0.5	—
Holborn Balanced Cash Fd.	100.7	106.1	—	—
Holborn Strategic Cash Fd.	98.9	104.2	—	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	468.5	493.2	+2.9	—
Equity	660.3	695.1	+4.4	—
Global Equity	200.7	211.3	+0.9	—
Fixed Interest	380.5	400.6	-0.6	—
Property	312.6	328.9	—	—
Cash	139.1	146.5	—	—
Index Linked Gilt	167.8	176.7	+1.0	—
Guaranteed	8.43	—	—	—
International Money	183.2	192.9	+0.4	—
North American Fd.	56.1	59.1	-1.4	—
Japanese Fund	126.5	133.2	+1.0	—
European Fund	68.9	72.6	+0.7	—
Special Situations Fd.	92.5	97.4	-2.5	—
Commodities Fund	79.9	84.2	+0.6	—
Smaller Cos Fund	95.2	100.3	-3.4	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Apr 6	£121.46	124.88	—	—
Equity Fund Apr 6	£129.04	132.92	—	—
Intntl Fund Apr 6	£19.77	20.41	—	—
Intl Bond Fd Apr 6	£10.30	10.24	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Exch 10¼pc '88	[illegible]	.....	10.49	7.80
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	[illegible]	9.73	8.06
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	[illegible]	3.02	5.97
[illegible]	[illegible]	Treas 9½pc '88	[illegible]	[illegible]	9.40	8.41
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.23	8.43
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	.....	9.40	8.41
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.09	5.84
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.28	8.51
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	9.83	8.53
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.65	8.52
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.15	7.08
[illegible]	[illegible]	Exch 10¼pc Cv '89	[illegible]	[illegible]	9.85	7.49
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.13	8.44
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.57	8.50
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.70	8.56
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	.....	3.20	6.35
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.29	8.49
[illegible]	[illegible]	Treas. 8pc Cv 1990	[illegible]	[illegible]	7.88	7.22
[illegible]	[illegible]	Treas. 10pc Cv 1990	[illegible]	[illegible]	9.70	8.61
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	.....	2.74	6.13
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	10.94	8.63
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.03	7.54
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.33	6.60
[illegible]	[illegible]	Treas 10pc Cv '91‡‡	105	[illegible]	9.53	8.23
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.27	8.63
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	.....	8.16	8.62
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.31	8.72
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.60	8.69
[illegible]	[illegible]	Treas. 8pc 1992‡‡	[illegible]	[illegible]	8.18	8.65
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	9.92	8.75
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.49	6.91
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	10.92	8.81
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	11.56	8.83

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
19¾	11	♦Staley Continental	19⅞		80c	—	2.2
33½	27½	Sun Co. Inc. $1	33½	+½	$3.00	—	4.9
28¾	25⅛	TRW Inc. 62½c	26⅝	+⅛	$1.60	—	3.4
25⅜	21¼	Tenneco $5	24⅝	+⅛	$3.04	—	6.7
26⅞	19⅜	Texaco $6.25	26⅛		$3.00	—	6.1
52½	43¼	Time Inc. $1	49½	−⅛	$1.00	—	1.1
20¼	15⅞	Transamerica $1	18⅞	+½	$1.84	—	5.5
10¼	754p	Transworld Corp $5	10¼		20c	—	1.1
20¼	15	TRINOVA Corp	17⅞	−⅛	56c	—	1.7
19	15¼	♦USX $1	18⅞	+⅛	$1.20	—	3.6
23	17⅝	Utd. Technologies	22½	+⅛	$1.40	—	3.4
31⅞	26¾	US West	29⅝	+⅛	$3.52	—	6.6
21¼	18¼	Waste Management $1	18¼	−½	36c	—	1.1
16¾	12⅞	Whirlpool $1	14½	+⅛	—	—	—
30¼	18¼	♦Woolworth $3½	29⅜	−⅛	$1.32	—	2.4

CANADIANS

High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	190p	ABM Gold Corp	219p	+11	—	—	—
32p	16½p	♦Abbot Energy Corp	26p	+1	—	—	—
14¼	990p	♦Amer. Barrick Res.	11¼	−⅛	—	—	—
10p	3½p	♦American Lightwave	7p	−1	—	—	—
47p	24p	♦Arnoeso	24½p		—	—	—
76p	48p	Augmitto Explo.	50p	−3	—	—	—
12¼	10¾	Bk. Montreal	11¼	−⅛	$2.00	—	7.6
595p	528p	Bk. Nova Scot.	554p	+9	72c	—	5.7
17½	15¼	BCE	17⅜	+⅛	$2.44	—	6.2
716p	591p	♦Bow Valley	691p		♦40c	—	2.6
12⅛	10½	♦Brascan	11⅛	−⅛	88c	—	3.4
328p	189p	♦Breakwater Res.	241p	+11	10c	—	1.8
953p	801p	Can. Imp Bank	948p		$1.16	—	5.4
10¾	841p	Can. Pacific	10⅝	−⅛	60c	—	2.5
41½	40	Do. 4pc Deb £100	40		4%	—	10.0
476p	384p	Central Capital "A"	439p	−11	—	—	—
886p	288p	Cons. TVX Min.	367p	+22	—	—	—
175p	76p	Danbus Res.	175p	+1	—	—	—
536½p	430p	Derlan Inds.	488p	+3	11.75c	—	1.1
14⅞	984p	♦Echo Bay Mines	11½		20c	—	0.8
40p	26p	Energex Minerals	36p	+4	—	—	—
107p	83p	Euro-Asia Capital Ltd	94p	−1	—	—	—
375p	222p	♦Galactic Resources	307p	+7	—	—	—
103p	101p	♦Geodome Res.	101p		—	—	—
394p	237p	Granges Explnl	382p	+17	—	—	—
16½p	9p	♦Gt. Pacific Res.	13p		—	—	—
899p	652p	♦Gulf Canada	878p	−21	52c	—	2.6
10¼	816p	♦Hawker Sid Can	988p	−24½	$1.08	—	4.8
588p	344p	Henlys Group	439p	+54	—	—	—
957p	785p	♦Hudson's Bay	867p	−10	60c	—	3.1
27⅝	22⅞	♦Imperial Oil	27⅛	−⅛	$1.80	—	2.9
14⅝	10⅛	Inco	14⅝	+⅛	US$0.40	—	1.5
451p	312p	♦Intl. Corona Res.	411p	−27	—	—	—
718p	462p	♦Inland Nat. Gas $1	570p	+14	60c	—	4.6
577p	390p	♦Lacana Mining Corp	500p	−70	Q15c	—	1.3
250p	150p	Madeleine Mines	219p	−6	—	—	—
181p	126p	♦Muscocho Expln.	168p	+9	—	—	—
187p	125p	♦Mtel Business Syst.	143p	−10	—	—	—
237p	110p	♦Nevada Goldfields	236p	+7	—	—	—
12	787p	♦Rio Algom	987p	+12	$1.30	—	5.8
13½	11⅝	Royal Bk. Can.	12½	−⅛	$2.08	—	7.3
266p	177p	♦Royex Gold Mining	247p	−19	—	—	—
32½	26⅝	Seagram	29⅝	+⅛	US$1.10	—	2.0
361p	257p	♦Sonora Gold Corp	263p	+6	—	—	—
52p	18p	Spiral Eng.	40p	−2	—	—	—
10½	35p	Tara Pure Tech. Corp.	10½	+9⅞	—	—	—
13	11⅛	Toronto-Dom. Bk.	13		92c	—	3.1
64p	22p	♦Trans Atlantic Res	25p		—	—	—
671p	566p	♦Trans Can Pipe	650p		68c	—	4.6
201p	127p	Varity Corp	195p	−6	—	—	—

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
181	131	ANZ SA1	172	−6	Q21c	3.1	4.8	6.8
234	200	Allied Irish	231		16%	3.0	5.9	7.6
£12½	£10⅞	Algemene Fl.10	£11⅝		Q27%	♦	7.2	♦
70	58	Anglo Irish	60		9.0%	1.2	7.3	17.5
70½	64	Ansbacher (H.) 1p	67	+1	2.0	—	4.0	—
£34¼	£24⅝	Banco de Bilbao S.A.	£34½	+½	41.1%	2.1	2.9	13.8
£32¼	£27¾	Banco de Santander	£30		Q22%	2.4	1.8	23.3
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

Fund 11¾% 1988	£100¼	
Nat. 9¾% 84/89	£101½	
Fin. 13% 97/02	£118¼	

Irish Ropes	118½	
Unidare	344	+5

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit. Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	38
Hanson	14
Hawker Sidd	40
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	22
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	30

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Mar 21	Apl 7	Apl 8	Apl 18
Apl 11	Apl 21	Apl 22	May 3
Apl 25	Mar 5	Mar 6	Mar 16

*New time dealings may take place from 9.00 am two business days earlier.

Equity market moves into reverse following US deficit but Gilt-edged end slightly firmer

THE UK STOCK market paid the price yesterday for its optimistic stance during the run-up to the US February trade statistics. London's blue chip exporting stocks plunged as the market anticipated the immediate reaction of the currency markets to the announcement at 1.30pm UK time of a \$13.83bn deficit on US trade for the month. (The monthly average deficit in 1987 was \$14.3bn.)

Share prices closed above the worst, however, as City analysts suggested that the equity market had over-reacted in the face of a sharp fall in early trading on Wall Street.

"We're not looking for a sell-off in the dollar just yet", commented Mr Ian Harwood of Warburg Securities. "But it is under a cloud again and will be very vulnerable indeed ahead of the next set of monthly trade figures."

The market gained a further 16 points in early trading, but dropped by a net 30 following the news from Washington. There was little sign of interest from the major institutions, and shares sagged as marketmakers struggled to avoid taking stock on board.

After its modest rally at the end of the session, the FT-SE 100 Index showed a net loss of 23.2 points at 1787.2. The fall wiped out this week's advance.

The losses came mostly in the exporting stocks which reacted sharply to the gain in the pound. With most of these stocks also exposed to Wall Street's baleful influence, losses were extended after New York opened. ICI, Glaxo, BAT Industries and Shell featured in the list of losers, although none of these saw heavy selling.

Shares in RTZ, a leading dollar earner, fell 20 to 380p, as the fall in the US currency overlaid news of a higher dividend.

Speculation in Rowntree came to the boil in late trading as rumours circulated that Nestlé, long regarded as a possible bidder, was poised to respond to Wednesday's aggressive accumulation of Rowntree shares by Jacobs Suchard, Nestle's rival in the Swiss chocolate industry.

Government bonds were caught between two stools as the bearish implications of the falls in US bonds on the trade deficit news were counterbalanced by the rise in sterling, which reduces upward pressures on domestic interest rates.

Losses of a full point suffered in the immediate wake of the US trade news were recovered later, and long-dated issues closed with net gains of ¼ point. Some retail support, both domestic and international, was reported.

"The US trade figures were difficult to judge", said Mr John Sheppard of Warburg. "We may have to wait another month before identifying any new trend. Meanwhile, it was the performance of the pound that led the Gilts market".

There was some supply yesterday morning of the two new tranches of existing Index-Linked (I-L) stocks, but the sector later saw good two-way trade. Prices closed with falls of ⅛.

Turnover in Rowntree, the UK confectionery group, topped 7.8m *shares as rumours began circulating* late in the day that Nestlé, via Shearson Lehman Securities, was preparing an immediate assault with a bid of 750p per share, which would eclipse Jacobs Suchard's highly successful market raid giving it 15 per cent of Rowntree on Wednesday. Rowntree shares closed 90 higher at 713p, a two-day rise of 236. Shearson was unavailable for comment.

Suchard paid 629p per share for its stake, but under UK Takeover Panel rules cannot buy any more shares for five trading days

AG Stanley, the DIY group featuring names such as Fads and Home Charm, rocketed to 294p before closing a net 62 higher at 290p after the share exchange offer from Ward White valuing Stanley at £116m or 281p a share. Ward White had already picked up a 3.7 per cent stake in Stanley over the previous month. Ward White shares dropped 11 to 324p on the news.

The bid was rejected by the Stanley board as "unsolicited and unwelcome" and regarded by dealers as a "sighting shot". Talk of counter bids immediately included names such as Ladbroke – subsequently denied by the latter – and Woolworth. Williams Holdings, which holds a stake of around 25 per cent in Stanley said it would remain "neutral" until the Ward Whiteoffer document is published.

Gurthrie Corporation, up 16 at 274p, soon returned to the limelight following the convertible preference share exchange bid worth 291.6p per share or alternative cash offer of 270p from BBA Group.

Only last week the Malaysian National Equity Corporation indicated that it was considering selling its 60.8 per cent stake in Gurthrie and has irrevocably undertaken to accept the cash offer for its entire holding. Although the City had been anticipating a bid for Guthrie, the price failed to match some optimistic valuations. BBA closed 7 higher at 163p.

The oil and gas sector moved up strongly during the morning with dealers reporting persistent support across the board. But the US news and subsequent weak dollar caused a flurry of selling which left the leaders with widespread, but generally minor falls at the close.

Turnover in the two major classes of BP shares increased significantly with Goldman Sachs and Kleinwort Grieveson good buyers. The old, turnover 7.8m, settled 2 down at 275p, and the "new" ½ off at 78¾p, after 81p.

Ultramar leapt to 267p before closing a net 10 up at 265p on turnover of 5.2m amid persistent takeover speculation; Sir Ron Brierley controls a stake of more than 12 per cent in the stock with Premier Consolidated thought to hold a further 3 to 4 per cent. Premier improved late to close 1½ higher at 63½p. Vague takeover talk also boosted Clyde which settled 2¼ up at 127½p.

The clearing banks moved up in the morning after the statement by Sir Kit McMahon that the large banks are unlikely to increase their third world debt provisions. But the movement ran out of steam following the American trade numbers. NatWest retreated from an initial level of around 543p to close a net 8 lower at 532p and Barclays, bought up to 430p, settled a shade harder at 424p.

Royal Bank of Scotland were a firm market all day and settled 7 higher at 335p on talk of an imminent buy recommendation. TSB, where turnover was 4.8m, eased 1½ to 103p.

Insurances were broadly lower. Composites included a notable weak spot in General Accident, 18 off at 891p, but Sun Alliance hardened to 935p as Warburg Securities highlighted the group's "potential for strong dividend growth". Brokers showed Bradstock 9 higher at 220p.

Most Brewery issues emerged unscathed from the latest US storm. The leaders showed only marginal losses with the exception of Scottish & Newcastle which, at 274p, gave back 5 more of last week's sharp gain as stakebuilding speculation faded further into the background.

Leading Buildings closed with minor falls having been higher initially but RMC retained a rise of 7, at 488p, following favourable comment on the annual results. Blue Circle, preliminary figures today, finished 5 off at 445p, after 455p. Elsewhere, John Laing continued to benefit from a broker's recommendation and added 3 more to 319p, while Higgs and Hill rose 10 to 340p in a restricted market. Walter Lawrence firmed 5 to 155p after revealing annual profits at the top of market estimates, but British Dredging dipped 7 to 120p on slightly disappointing preliminary results. Sandell Perkins gained 8 to 235p following the appearance of a sizeable buyer.

Currency factors forced ICI down and the close was 29 lower at 986p.

AG Stanley apart, good performers in the stores were few. Storehouse, however, moved up 6 to 258p on turnover of 6.3m shares with dealers reporting another wave of heavy speculative buying interest triggered by rumours of an imminent bid and subsequent break-up of the group.

Activity in the electronics issues was again concentrated in a handful of top line stocks. GEC, where turnover totalled 10m, initially moved up to 153p before dipping back to close unaltered at 150p.

Plessey's turnover expanded sharply to 9.1m and the shares raced up to 161p at one point before sliding back on profit-taking to close only 2 harder at 152p; stories about recent stake-building operations were shrugged aside by traders – "Plessey were oversold and due a run – the late selling was on the back of Wall Street" said a leading dealer in the stock.

Racal attracted business in excess of 6m shares and touched 228p but encountered persistent selling late to close 2 easier at 223p.

GKN, reflecting currency influences, reacted to close 8 cheaper at 299p, while Rolls-Royce fell 6 to 110p in a volume of some 3m shares. Adwest's preliminary figures failed to excite and the shares closed 12 lower at 308p while Triplex, a good market of late, drifted back to 189p on the unveiling of plans for a £50m property development.

Leading Food manufacturers were unable to sustain Wednesday's advance prompted by Suchard's move for Rowntree and fell back amid light profit-taking. Cadbury shed 5 to 271p, while Northern Foods gave up 5 at 250p. Second-line confectionery issues remained buoyant, however, and Jamesons Chocolates rose 22 to 225p and Bassett 5 *more to 221p. Elsewhere, Tesco* fell 8 to 153p following comment on the annual results, but Booker improved 9 to 397p in a restricted market.

Sterling's surge after the US trade figures put paid to an initial improvment in the International stocks. The extent of the *turnround was monitored* by Glaxo which fell away sharply to close 30 down on the day at 984p, after having been a few pence better at one stage.

Other stocks vulnerable to the weaker dollar included Reuters B, down 21 at 513p, British Aerospace, 15 lower at 400p, and Cookson, 11 off at 559p.

Avis Europe resisted the trend, rising 5 to 340p in response to satisfactory preliminary results while Beatson Clark, still reflecting bid rumours, moved up 18 more to 258p in a restricted market.

Pearson, up to 691p at one stage, drifted back to close 4 cheaper at 682p; the company announced that it has renegotiated its proposed purchase of Les Echos, the French newspaper group, because of concerns raised by the French Government. Pearson will now buy two thirds of the equity and will purchase the remaining third a year later, provided that Pearson is still an EEC company.

Barr and Wallace Arnold Trust A featured the Leisure sector, touching 265p before closing a net 30 up at 248p reflecting the doubled annual profits.

Jaguar surrendered an early rise as the weakening dollar assumed dominance again. It cast a cloud over the shares, which had initially responded to hopes that the threatened strike at Coventry would be averted, and the close was 3 easier at 285p. Comment of the group riding the acquisition trail made little impact on Lucas Industries and both old and new shares closed lower; the former were 7 down at 540p and the nil-paid 8 off at 42p premium.

Paper/Printing issues with a US favour suffered and Reed International fell 10 to 390p while Maxwell Communication lost 6 to 242p. Similarly, Agency leader Saatchi & Saatchi gave up 10 at 397p. Trading statements left Quarto slightly harder at 143p but Fitch & Co. 10 lower at 385p while Brunning rose 6 to 228p after news of a joint venture with Ketchum Communications, a Pittsburgh-based agency. Bunzl, which has disposed of its former head office for £20m cash plus a further payment dependent upon profits arising from the site's redevelopment in conjunction with Rosehaugh, reacted 3 to 144p. Elsewhere, speculative interest raised Conrad 9 to 75p.

Losses among the Property leaders stretched to double figures. Land Securities, up to 555p initially, closed 7 lower at 544p, while MEPC finished 12 down at 516p, after 530p. Rosehaugh, however, traded firmly throughout and settled 10 higher at 694p.

P & O followed other blue chip issues down but rallied from the lowest to end 10 easier on balance at 588p.

An article suggesting the possible reorganisation of some of Malaysia's biggest companies drew selected Overseas Traders more into the spotlight.

Traded Option business expanded quite sharply, the total number of contracts rising to 39,495 comprising 24,059 calls and 15,436 puts. The FTSE contract traded quietly prior to details of the US trade figures, but there was rigorous business directly afterwards with heavy buying of puts. FTSE calls amounted to 2,328 with puts at 2,601. GEC attracted steady trade, particularly in the April 140 calls. Plessey were also active, registering 1,983 calls and 910 puts.

FINANCIAL TIMES STOCK INDICES

	Apr. 14	Apr. 13	Apr. 12	Apr. 11	Apr. 8	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	91.09	91.09	91.07	91.05	91.01	90.36	91.09 (14/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.99	98.04	97.74	97.81	97.50	96.83	98.04 (13/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1416.2	1435.0	1433.7	1433.8	1413.4	1540.3	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	216.6	220.7	220.9	221.3	221.4	444.5	312.5 (7/1)	216.6 (14/4)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.55	4.48	4.48	4.49	4.76	3.87				
Earnings Yld. % (full)	11.85	11.72	11.72	11.75	12.47	8.67				
P/E Ratio (net)(*)	10.38	10.46	10.47	10.44	9.73	14.25				
SEAQ Bargains (5pm)	26,723	23,497	24,173	25,715	31,521	31,735				
Equity Turnover (£m)	-	1393.58	1353.00	907.55	1041.71	1244.48				
Equity Bargains	-	24,880	26,324	26,795	34,102	41,160				
Shares Traded (ml)	-	461.8	383.5	378.1	507.5	474.1				

S.E ACTIVITY

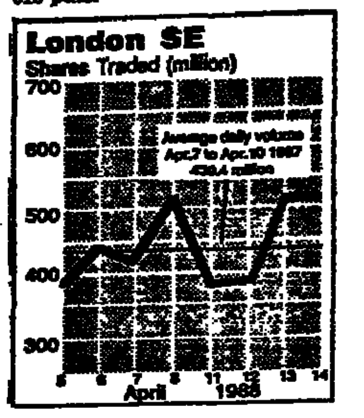
Indices	Apr.13	Apr.12
Gilt Edged Bargains	126.4	149.0
Equity Bargains	161.2	170.6
Equity Value	2816.8	2734.8
5-Day average		
Gilt Edged Bargains	138.1	144.8
Equity Bargains	183.9	203.5
Equity Value	2258.5	2059.1

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1443.0	1447.3	1446.9	1446.3	1445.1	1428.9	1414.8	1416.7

Day's High 1448.1 Day's low 1411.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.26.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001



Traditional Options

- First dealings Mar 28
- Last dealings Apr 15
- Last declarations June 30
- For Settlement July 11

For rate indications see end of London Share Service

Interest remained at a high level in the Traditional option market. Stocks to attract moeny for the call included Explaura, C. Baynes, Owners Abroad, Entertainment Productions, Elswick, Dares Estates, Baggeridge Brick, Shiloh, Holmes Protection, Helical Bar, Eagle Trust, Stakis, Scottish and Newcastle and British Petroleum partly-paid. Puts were arranged in Elswick, British Petroleum partly-paid and Underwoods, while a *double* option was transacted in British Petroleum partly-paid.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (84).
BRITISH FUNDS (2) AMERICANS (5) BANKS (1) BREWERS (2) BUILDINGS (4) CHEMICALS (1) STORES (3) ELECTRICALS (7) ENGINEERING (3) FOODS (8) INDUSTRIALS (8) INSURANCE (3) LEISURE (5) PROPERTY (8) SHIPPING (1) TRUSTS (8) OILS (2) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (1).

NEW LOWS (32).
BRITISH FUNDS (1) BANKS (2) BUILDINGS (1) STORES (3) ELECTRICALS (5) FOODS (1) INDUSTRIALS (3) INSURANCE (2) MOTORS (1) NEWSPAPERS (1) PAPERS (4) PROPERTY (3) TEXTILES (1) TRUSTS (7) MINES (12).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	2,500	Enterprise Oil	909	Prudential	445
Allied-Lyons	1,500	Fisons	1,800	Racal	6,100
Austral	1,300	General Accident	354	Rank Org.	151
Argyll Group	1,900	General Elect.	10,000	RMC	1,000
Assoc. Brit. Foods	142	Glaxo	2,300	RHM	1,900
[illegible]	[illegible]	[illegible]	1,000	Reckitt & Colman	459
[illegible]	[illegible]	[illegible]	745	Redland	562

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Apr 14 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Apr 13 Index No.	Tue Apr 12 Index No.	Mon Apr 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	752.93	-0.7	10.03	3.96	12.51	6.84	758.05	756.54	755.43	838.65
2	Building Materials (29)	1016.31	-0.2	10.17	3.74	12.28	3.60	1018.61	1020.28	1019.08	1011.53
3	Contracting, Construction (34)	1586.00	-0.1	8.99	3.24	14.71	11.47	1587.36	1580.49	1576.53	1373.08
4	Electricals (12)	1970.80	-1.1	9.66	4.91	13.41	8.34	1993.73	1993.40	1994.97	2093.44
5	Electronics (32)	1504.07	-0.1	10.99	3.55	11.06	11.94	1506.84	1499.51	1505.19	1804.66
6	Mechanical Engineering (56)	387.23	-1.7	10.15	4.40	12.40	5.07	394.07	394.16	392.50	467.85
8	Metals and Metal Forming (7)	454.22	-0.5	9.44	3.06	12.78	3.09	456.35	454.53	451.82	447.69
9	Motors (13)	275.45	-0.9	11.26	4.45	10.27	4.79	277.89	275.71	272.74	321.30
10	Other Industrial Materials (24)	1255.85	-1.0	9.01	4.38	13.26	16.51	1268.95	1267.09	1265.75	1409.14
21	CONSUMER GROUP (180)	1053.76	-0.9	8.73	3.52	14.61	5.33	1063.40	1055.11	1057.16	1140.44
22	Brewers and Distillers (21)	1064.60	-0.8	10.30	3.50	12.26	7.69	1073.19	1076.83	1080.76	1061.06
25	Food Manufacturing (23)	851.09	+0.1	9.36	3.91	13.71	8.45	849.83	819.60	820.86	870.53
26	Food Retailing (16)	2090.72	-1.1	7.82	3.02	17.12	0.02	2114.02	2102.93	2100.23	2099.10
27	Health and Household (12)	1782.98	-2.1	6.93	2.67	17.19	5.26	1821.91	1831.04	1840.41	2285.19
29	Leisure (30)	1281.55	-0.6	7.87	3.49	16.31	10.09	1289.28	1285.75	1287.79	1231.02
31	Packaging & Paper (17)	486.63	-0.7	9.83	3.93	14.52	3.78	490.24	485.86	485.06	590.62
32	Publishing & Printing (16)	3357.01	-1.5	8.14	4.40	15.29	7.74	3407.04	3395.45	3382.64	3495.39
34	Stores (35)	838.08	-0.6	9.07	3.67	14.78	1.54	843.22	831.00	834.09	949.99
35	Textiles (18)	572.50	-0.5	11.91	4.31	9.64	0.44	575.40	574.85	568.90	683.25
40	OTHER GROUPS (93)	868.40	-1.4	10.87	4.32	11.50	7.66	880.62	883.40	886.64	948.52
41	Agencies (19)	1155.95	-2.1	7.02	2.29	18.36	8.98	1180.57	1183.25	1186.04	1392.94
42	Chemicals (20)	995.41	-1.7	11.93	4.06	10.28	19.27	1012.42	1011.06	1013.55	1198.76
43	Conglomerates (14)	1150.75	-1.9	10.12	4.53	11.52	5.66	1173.37	1174.67	1184.56	1289.83
45	Shipping and Transport (12)	1906.00	-0.7	9.67	4.46	13.69	21.37	1920.39	1916.64	1919.04	1943.05
47	Telephone Networks (2)	951.78	-0.8	11.31	4.33	11.77	0.00	959.19	967.55	976.50	961.00
48	Miscellaneous (26)	1130.29	-1.5	12.62	4.45	9.51	18.12	1147.67	1152.03	1143.71	1291.63
49	INDUSTRIAL GROUP (488)	935.63	-1.0	9.45	3.85	13.00	6.66	944.87	941.75	943.20	1019.99
51	Oil & Gas (12)	1850.29	-1.1	10.20	5.55	12.71	37.57	1870.56	1860.10	1872.17	1815.66
59	500 SHARE INDEX (500)	1012.71	-1.0	9.73	4.10	13.03	9.25	1022.08	1019.15	1021.46	1087.37
61	FINANCIAL GROUP (122)	660.42	-0.7	-	4.96	-	10.54	664.82	664.30	662.65	679.09
62	Banks (8)	617.17	-0.5	24.40	6.57	5.50	16.04	620.09	623.21	623.23	721.31
65	Insurance (Life) (8)	953.79	-1.5	-	5.26	-	20.39	967.87	970.74	965.17	934.44
66	Insurance (Composite) (7)	533.68	-1.3	-	5.55	-	8.40	540.56	539.20	534.74	527.15
67	Insurance (Brokers) (7)	885.78	+1.0	13.52	7.17	9.42	16.98	876.95	862.08	858.39	1123.71
68	Merchant Banks (11)	338.98	-0.1	-	4.14	-	3.61	339.34	338.97	339.95	365.62
69	Property (51)	1135.34	-0.4	4.89	2.70	26.15	3.62	1139.94	1133.99	1133.61	951.56
70	Other Financial (30)	393.44	-0.6	9.84	4.24	12.77	3.61	395.77	394.26	391.39	458.74
71	Investment Trusts (82)	870.83	-0.5	-	2.92	-	5.49	875.06	873.66	870.35	952.65
81	Mining Finance (2)	451.39	-3.3	10.30	4.17	10.97	2.01	466.74	464.12	463.92	461.75
91	Overseas Traders (8)	1025.32	-0.2	9.93	5.12	11.94	14.93	1027.13	1019.66	1026.58	923.00
99	ALL-SHARE INDEX (714)	919.31	-1.0	-	4.20	-	9.25	928.13	925.16	926.39	979.12

	Index No.	Day's Change	Day's High	Day's Low	Apr 13	Apr 12	Apr 11	Apr 8	Apr 7	Year ago
FT-SE 100 SHARE INDEX ‡	1787.2	-23.2	1826.8	1779.9	1810.4	1805.3	1818.5	1779.7	1761.0	1949.4

FIXED INTEREST

	PRICE INDICES	Thu Apr 14	Day's change %	Wed Apr 13	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.83	-0.02	123.86	-	3.75
2	5-15 years	142.57	-0.03	142.62	-	3.96
3	Over 15 years	150.83	-0.01	151.87	1.02	5.65
4	Irredeemables	171.82	+0.02	171.78	-	1.54
5	All stocks	138.80	-0.03	138.97	0.14	4.11
	Index-Linked					
6	5 years	126.51		126.50	-	0.51
7	Over 5 years	120.35	-0.38	120.80	-	1.18
8	All stocks	120.67	-0.34	121.08	-	1.12
9	Debentures & Loans	120.47	-0.10	120.59	-	2.67
10	Preference	89.84	-0.01	89.85	-	1.90

	AVERAGE GROSS REDEMPTION YIELDS		Thu Apr 14	Wed Apr 13	Year ago (approx.)
	British Government				
1	Low	5 years	8.50	8.50	8.21
2	Coupons	15 years	8.96	8.94	9.00
3		25 years	8.85	8.85	9.02
4	Medium	5 years	8.90	8.88	9.17
5	Coupons	15 years	9.17	9.16	9.22
6		25 years	9.06	9.05	9.22
7	High	5 years	8.99	8.97	9.31
8	Coupons	15 years	9.31	9.30	9.35
9		25 years	9.10	9.08	9.14
10	Irredeemables†		8.75	8.73	9.03
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.22	2.21	3.14
12	Inflation rate 5%	Over 5 yrs.	3.70	3.67	3.56
13	Inflation rate 10%	5 yrs.	1.35	1.34	2.57
14	Inflation rate 10%	Over 5 yrs.	3.55	3.52	3.44
15	Debs &	5 years	10.75	10.71	9.97
16	Loans	15 years	10.55	10.53	10.15
17		25 years	10.54	10.53	10.20
18	Preference†		10.80	10.80	10.71

‡Opening index 1821.1; 10 am 1825.8; 11 am 1825.8; Noon 1825.3; 1 pm 1823.7; 2 pm 1801.9; 3 pm 1784.9; 3.30 pm 1786.7; 4 pm 1787.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGES: Kennedy Smale is now McLeod Russell Holdings.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*389)	360	30	42	51	1½	11	17
	390	7	26	34	7	26	28
	420	1	13	22	34	43	45
Brit. Airways (*165)	160	8	13	18	2½	13	16
	180	1	6	10	17	22	25
[illegible]							

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
LASMO (*349)	330	28	43	60	9	25	30
	360	13	30	40	28	40	45
	390	5	-	-	48	-	-
P. & O. (*586)	550	47	67	80	10	17	27
	600	17	40	54	30	42	57
	650	5	20	32	72	77	87
[illegible]							

Total Contracts 39,495 Calls 24,059 Puts 15,436
FT-SE Index Calls 2328 Puts 2601
*Underlying security price.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	94	11
[illegible]			

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE | JAPAN

[illegible]

CANADA

TORONTO
Closing prices April 14

[illegible]

MONTREAL
Closing prices April 14

[illegible]

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 43

[illegible]

Stock	Sales (Hds)	High	Low	Last	Chng
PrceTR .68	10 193	28¾	27¾	27¾	− ½
ProsGp	291	7	6⅞	7	
ProtLfe .70	10 179	14⅝	14⅜	14⅝	
PrvBksh.10e	106	11½	11	11	− ½
PrvLfe .63e	48 592	19⅝	19⅜	19⅜	− ¼
PgSdBc .80	16 259	19¾	19¼	19¼	− ½
PulitzPb .44	22 25	33¼	32	32	−1¼
PurtBs .11	28 510	26½	25¼	25½	−1
PymtT	28 580	11¼	10½	11	− ½
Qmax	187	5⅛	4⅞	5	− ¼
QVC	287	9½	8¾	9	− ⅝

Stock	Sales (Hds)	High	Low	Last	Chng
XL Dis	17 175	22½	22	22½	+ ½
XOMA	552	10⅞	10¼	10½	− ½
Xicor	27 2490	9⅛	8½	8⅝	− ⅝
Xidex	2987	6½	6⅛	6⅛	− ½
Xyvsn	37 105	5¼	5⅛	5⅛	− ⅛
YlowFs .62	18 822	25¾	25	25¼	− ⅝
ZionUt 1.44	140	25¾	25	25¾	+ ¾
Zondvn	51 2124	11⅛	10½	10⅝	− ⅞

INDICES

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed. (u) Unavailable.

[illegible]

† Amended at source.

Base values of all indices are 100 except Brussels SE − 1,000 JSE Gold − 255.7 JSE Industrials − 264.3 and Australia, All Ordinary and Metals − 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

A.B. Electronic	443	+ 13
Barr & W.A. Tst.A	248	+ 30
Beatson Clark	258	+ 18
Conrad Hldgs.	75	+ 9
Evans Halshaw	298	+ 7
Guthrie Corp.	274	+ 16
Harrisons & Cros.	591	+ 14
Rowntree	713	+ 90
Royal Bk. Scotland	336	+ 7
Stanley (A.G.)	290	+ 62
Ultramar	265	+ 10

FALLS

Brit. Aerospace	400	− 15
Cable & Wireless	330	− 8
Calor	383	− 10
Glaxo	984	− 28½
ICI	986	− 28½
MEPC	516	− 12
P. & O. Defd.	588	− 10
Polly Peck Intl.	289	− 7
Reed Intl.	390	− 10
Reuters B	513	− 21
Saatchi & Saatchi	397	− 10
Smith (W.H.) A	285	− 9

TOKYO - Most Active Stocks
Thursday, April 14, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Kokan	190.99m	409	+9
Nippon Steel	109.10m	487	-3
Mitsubishi Heavy Ind	104.52m	760	-5
Mitsui Engineering	48.44m	337	+1
Sumitomo Metal	21.83m	401	uch
Nippon Mining	20.07m	578	+23
Kawasaki Steel	19.25m	400	uch
Kobe Steel	18.18m	338	+4
Keisei Elec	17.17m	910	+22
Nippon Yusen	14.87m	638	+20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	19	256	24	23¼	23½	−½
27	10½	AGS s			13	850	16¾	15⅝	15¾	−1½
10½	4⅜	AMCA				30	4⅞	4⅞	4⅞	+⅛
8⅝	3¼	AM Ind				218	4	3⅞	3⅞	−⅛
65½	26¾	AMR			13	7310	43	42	42	−1
24¾	19	ANR pf	2.12	9.1		23	23⅜	23¼	23⅜	+⅛
12¼	6⅜	ARX			9	117	8¾	8½	8⅝	−¼
73½	40⅛	ASA	3	6.7		586	45⅝	45	45	+⅛
22⅜	9½	AVX			14	310	17⅜	17¼	17⅜	−⅛
66⅜	40	AbtLab	1.20	2.5	17	6941	49⅜	47½	48¼	−2
28	15⅜	Abitibi g	1			58	18⅜	17¾	17⅞	−½
16¾	8½	AcmeC	.40	3.2		189	13	12¼	12⅜	−¾
10½	6¾	AcmeE	.32b	4.2	21	27	7⅝	7½	7⅝	+⅛
20	14⅛	AdaEx	2.83e	18.		94	15⅞	15½	15½	−⅜
18¼	6⅞	AdamMl	.24	1.7	11	53	13¾	13½	13¾	
24⅞	7½	AMD				7849	13¼	12⅜	12⅝	−¾
56¾	29¼	AMD pf	3	7.9		9	38¼	37⅞	37⅞	−1⅛
11⅞	4⅜	Adobe			12	130	7¼	7	7	−¼
20¼	16¼	Adob pf	1.84	10.		4	18⅛	18⅛	18⅛	
21¾	17½	Adob pf	2.40	11.		11	21⅛	21	21⅛	−⅛
15	6⅛	Advest	.12a	1.7	7	102	7⅜	7⅛	7⅛	−¼
64¼	42⅞	AetnLf	2.76	6.4	6	2859	45⅛	43¼	43⅜	−2
83½	41	AhPub	.40	.6	37	181	66½	64	64	−3
23¾	13	Ahmans	.88	6.0	7	1955	15⅜	14½	14¾	−¾
4⅞	1¾	Aileen				342	3⅛	2⅞	3⅛	+¼
53⅞	29	AirPrd	1	2.1	16	1570	48¼	46⅝	47	−1½
36	11⅛	AirbFrt	.60	3.6	19	235	17⅜	16⅞	16⅞	−⅜
[illegible]										

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	15⅝	PatPtr	2.08	11.	10	189	19⅛	18⅞	18⅞	−¼
33½	20½	PatRs	2.98e	12.		13	25¾	25½	25½	−¼
18	15	PatRs	pf1.57	9.8		10	16⅛	16⅛	16⅛	−¼
2⅛	¾	Phrhw	.22e	16.		28	1½	1⅜	1⅜	
76½	40	Pfizer	2	3.5	14	1701	60¼	58⅞	58⅞	−3¼
58	23½	PhelpD	.60	1.5	9	1981	42¼	41⅛	41¼	−1⅛
74	37	PhlpD pr	3	5.2		96	58	58	58	−1
23⅝	16¾	PhilaEl	2.20	13.	7	1577	18⅛	17⅞	17⅞	−1⅛
45½	34	PhE	pfA3.80	11.		z270	35¼	35⅛	35⅛	+⅛
45½	37½	PhE	pfB4.30	11.		z80	38¼	38¼	38¼	
49½	39	PhE	pfD4.68	10.		z20	46	46	46	−1
87	69	PhE	pfG8.75	11.		z550	81½	81	81½	
103½	85	PhE	pf99.50	11.		z900	86½	85½	85½	−1
100⅝	95	PhE	pfT9.87	10.		z50	98	98	98	
13¼	11	PhE	pfR1.41	12.		183	12⅛	11¾	11¾	−⅛
12½	9⅞	PhE	pfP1.33	12.		116	11⅛	10⅞	11	−⅛
79	65⅝	PhE	pfH7.85	11.		z290	72¼	72¼	72¼	
12¼	9¾	PhE	pfO1.28	12.		137	11	10¾	11	−⅛
117	108⅛	PhE	pfM15.25	14.		z320	110½	110	110	−1½
83½	70	PhE	pfK9.50	11.		z1430	87	86½	86½	−1⅛
78¾	64	PhE	pfJ7.80	11.		z1950	71⅛	70½	70½	−½
77	60	PhE	pfI7.75	11.		z740	71	70	70	−1⅛
16⅞	12⅛	PhilSub	.94	6.2	14	27	15½	15⅛	15¼	−¼
124½	77½	PhilMr	3.60	4.1	11	8600	89¼	87½	87⅝	−2¼
23⅞	12½	Philpln	.44	2.3	13	1078	20½	19⅛	19⅛	−1½
27⅜	12⅝	PhilGl	.85e	5.7	7	827	15⅝	14⅞	14⅞	−⅝
18¼	10	PhilPet	.60	3.5	[illegible]	14450	18¼	17⅛	17¼	−1⅛
24¼	22⅝	PhlPt	pf1.78e	7.3		29	24⅛	24	24	
26½	7½	PhlVH s	.28	2.5	6	298	11½	11¼	11¼	−⅜
7⅝	2⅝	Phlcorp				34	6¼	5⅞	6¼	+⅛
25¼	17½	PiedNG	1.48	6.8	8	26	22	21¾	21¾	−¼
[illegible]										

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	5.5	10	6759	55⅝	53½	54⅛	−1⅞
50¼	46⅞	Xerox	pf4.13	8.4		8	49⅜	49	49⅜	+¼
35¾	19⅛	XTRA	.64	1.8	17	152	35½	34⅛	34⅜	−¾
29⅝	19½	XTRA	pf1.94	6.8		10	28½	28	28½	−1¼
45¼	17½	Yorkin			15	800	43⅞	42¼	42½	−1⅝
7¼	2¼	Zapata				1340	3⅞	3⅝	3¾	−⅛
37	13½	Zayre	.40	1.6	12	3335	26⅛	23⅞	24¼	−1¼
15⅞	6¾	Zemex	.40	3.0	17	8	13⅝	13½	13½	−¼
33⅝	10	ZenithE				2282	19⅝	18¾	18⅞	−1⅛
12	1¾	ZenLab				2919	2⅛	1⅞	2⅛	+⅛
24	13½	ZeniNtl	.80	4.3	9	47	18⅞	18½	18⅝	−⅜
20⅞	11⅞	Zero	.36	2.6	14	186	14⅜	13⅞	13⅞	−½
30¾	15	Zurnin s	.88	3.1	15	211	22½	21¾	21¾	−⅞
10⅝	7⅝	Zweig	1.34e	13.		763	10⅛	10	10⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

AMERICA

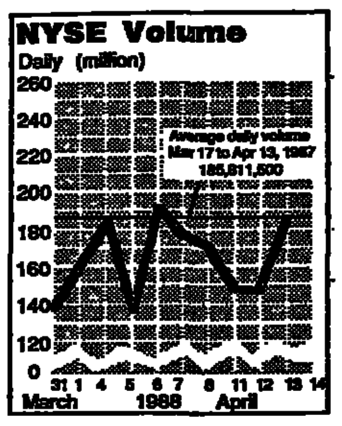
Deficit increase shocks Dow into 100-point plunge

Wall Street

AN UNEXPECTED jump in the US trade deficit sent equities reeling on Wall Street yesterday, as fearful investors recalled that it *was a bad trade report* last October that triggered the worldwide stockmarket crash, *Anatole Kaletsky writes from New York.*

As the Dow Jones Industrial Average ended 101.46 points down at 2005.64, the one consolation for nervous traders was that history rarely repeats itself in quite such a literal way.

The Dow opened 40 points down in the wake of the early morning trade announcement. There were a *few hours* of stability at the lower levels, on evidence of large scale currency intervention by central banks. But prices started to tumble again at lunchtime, as the dollar fell below Y123.50.



By 2 pm, the Dow had fallen by 50 points, triggering a ban on programme trading by the New York Stock Exchange. But this obstacle scarcely required the bears to pause for breath. Within minutes of the 50-point mark being breached, the rout continued, as programme traders executed their orders manually.

In a disquieting echo of the kind of market action seen last October, the fall accelerated on rising volume towards the close of trading. The Dow's 101-point decline was the second biggest since October, and the worst performance since the NYSE introduced its curbs on programme trading in January this year.

Despite the big falls, however, there were some midly reassuring signs about the day's trading. Volume was high but not excessive, with just over 200m shares changing hands and dealers reported few signs of heavy selling by the institutions.

The Standard & Poors 500 index fell 11.80 to 259.74 and declining stocks outnumbered gainers on the Big Board by 1597 to 146.

The market fell despite several good corporate results announcements, and strong statements of support for the dollar from the world's leading finance ministers and central bankers in Washington for the annual discussions of the International Monetary Fund.

The bond market also fell sharply from the outset and remained weak throughout the morning. It recovered slightly in the afternoon as the plunge in equity prices gathered momentum, on hopes that the Federal Reserve Board might be deterred from tightening policy by the stockmarket's near-collapse.

There was also a little help for bond market investors from official statistics indicating a continuing build up of business inventories, which suggested that fears about the US economy overheating may still be overdone.

Bond prices reached their nadir around lunchtime, as foreign exchange dealers mounted a renewed assault on the dollar and managed to breach the central banks' defences at the Y123.50 level.

Late in the afternoon the Treasury's benchmark long bond was down 1⅜ at 101⅛, a price at which it yielded 8.858 per cent. Federal Funds remained stable throughout the day between 6⅝ and 6¾ per cent.

Corporate results announcements provided some encouragement to equity investors. But even companies reporting sharply higher profits found it extremely difficult to stand out against the general declining trend.

Several leading bank groups announced significantly stonger profits, but all their shares fell nevertheless. Manufacturers Hanover declined $¾ to $25¾, despite a 52 per cent jump in earnings per share. Chemical, which also gained despite its well-known problems in Texas, fell $⅝ to $23¾. IBM, whose strong results on Wednesday had helped to justify the whole stockmarket's recent rally, plunged $4⅝ to 11⅛.

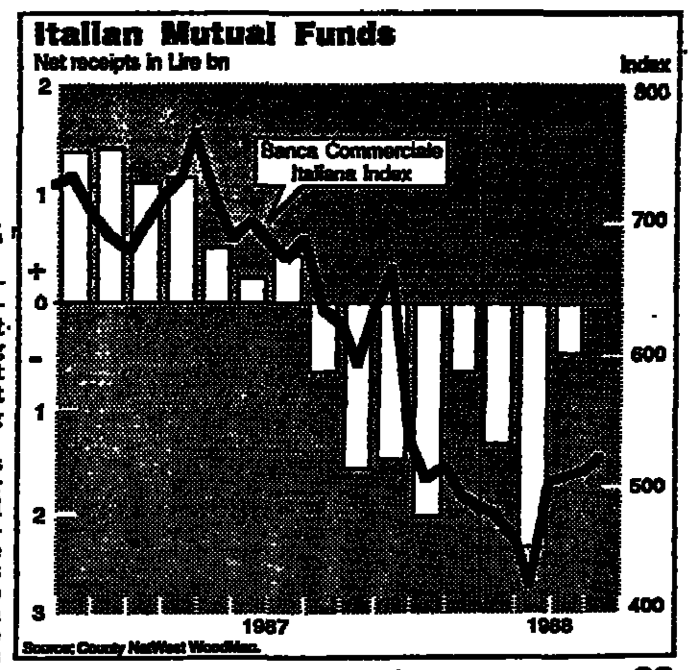
Digital Equipment, which announced lower profits on Wednesday night after the market's close, fell $5⅝ to $103, breaching the low of $104½ which it had hit during the crash in October. Motorola, which doubled its quarterly earnings fell $1⅝ to $46¼ . Ford announced a 20 per cent increase in its quarterly dividend to 60 cents a share, but was punished with a fall of $2⅝ to $44⅝.

Texas Air, the biggest US airline company, continued its decline in a second-day reaction to the government investigation into alleged safety violations. The shares fell another $1, or ten per cent, to $9⅝. They peaked at over $50 last year.

Canada

THE LARGER than expected US February trade deficit prompted a sell-off on the Toronto Stock Exchange.

The composite index closed 53.62 lower at 3,344.16. It fell about 31 points in the morning, partially recovered at midday, but fell again in late afternoon.



Source: County NatWest WoodMac.

Italian fund sales ease off

LAST MONTH saw a sharp slowdown in mutual fund redemptions in Italy as the stock market recovered from its steep fall and the panic selling of February gave way to a more optimistic assessment by small investors, *writes Our Markets Staff.*

Net receipts by the mutual funds in March were a negative L497bn ($396m) compared with February's record of minus L2,304bn. The figures were in line with market expectations and have prompted speculation that April might see new funds outweighing redemptions to give a positive balance for the first time since last July.

However, Mr Roberto Morelli, Italian analyst with brokers County NatWest WoodMac, pointed out that new funds, though rising, remained at a very low level compared with the halcyon days of the Italian bourse.

In March gross receipts amounted to L908bn, compared with L643bn in February, L367bn in January, and a massive L2,363bn in January 1987.

The chart shows how small investors tend to be led by the market index, buying in most enthusiastically around its peak and selling most heavily at about the time the market is bottoming out.

SOUTH AFRICA

A FIRMER bullion price, as the dollar dropped and the US trade data proved to be worse than expected, lifted Johannesburg gold stocks off their day's lows.

Southvaal eased only 50 cents to R108 after declining to R105 earlier, Buffelsfontein was unchanged at R55, Driefontein lost 50 cents to R33.50 and Freegold slipped 50 cents to R30.75 after having touched R30.25 at one stage.

Other minings and financials also rose but volume remained low. Rustenburg Platinum was unchanged at R33 after earlier slipping 25 cents lower, while Gencor moved up R1 to R47.50 after dipping to R46.

Industrials ended the day mixed to a little higher.

EUROPE

Nervousness over US trade figures hits most bourses

THE worse-than-expected US trade data hit share prices in Paris and Amsterdam yesterday, while Frankfurt and Zurich – which closed before the figures were released – ended lower on nervousness about the impending news. Milan was jittery as investors waited for information from the Société Générale de Belgique shareholders meeting in Brussels, *writes Our Markets Staff.*

AMSTERDAM fell sharply from midday highs as early optimism over US trade data proved misplaced. Share prices followed the dollar and Wall Street downwards after news that the deficit had widened sharply.

The CBS all-share index ended 1 point lower at 85.8, having peaked at 87.8 just before the deficit news. The dollar closed almost 3 cents lower at Fl 1.867 from Fl 1.8955 the previous day.

Airplane maker Fokker was suspended at Fl 25, up Fl 1.10, pending publication of annual results showing net losses of Fl 106.9m compared with Fl 19.1m profits. Trading reopens today.

Among blue chips, Royal Dutch ended Fl 4.20 lower at Fl 229.40, Unilever fell Fl 3.60 to Fl 111.30, Philips lost 20 cents to Fl 28.60 and chemical firm Akzo dropped Fl 2.10 to Fl 106.70.

Textiles group Nijverdal-Ten Cate closed Fl 3.50 higher at Fl 86.50, denying reports that Akzo had made takeover approaches.

PARIS was hit by news of the US trade figures and the subsequent drop in the dollar's value, with share prices ending lower after an optimistic opening.

Most sectors were hit by the deficit news. Raffinages, a subsidiary of oil company Total, was especially battered, losing FFr6.50, or 7 per cent, to FFr72.20.

Hachette was suspended temporarily after its shares surged in early trading, adding FFr135, or 7 per cent, to FFr2,030. The company, which on Wednesday reported a $712m deal to buy the Diamandis group of the US, ended FFr65 higher at FFr1,960.

The opening CAC General index was 3.1 higher at 305.

FRANKFURT ended a nervous day mostly firmer, with volume low as investors held back pending the release of US trade figures after the market's close. Attention focused largely on Daimler and AEG.

The dollar's fixing in Frankfurt at DM1.6916, just slightly below the previous day's DM1.6929, gave some support to prices and car stocks fared well. BMW rose DM8 to DM531, VW was unchanged at DM249.60 and Daimler added DM2 to DM632.

Continued speculation about Daimler's intentions towards AEG led to a drop in the electronics group's shares. The market is expecting a bid for an increased stake in AEG but Daimler chairman Mr Edzard Reuter has indicated that the current AEG share price is too high. AEG fell DM8.60 to DM240.20, after being DM14.60 lower at one stage.

The FAZ index eased 0.71 to 463.70.

Bonds were 5 pfg to 20 pfg higher, with the 6¼ per cent 1998 unit yielding about 6.22 per cent after 6.23 per cent on Wednesday.

MILAN opened strongly but fell back nervously to close with a reduced gain after Société Générale shareholders looked unlikely to reach an accord at yesterday's meeting.

The BCI index added 4.54 to 527.43 on the first day of the May account. Pirelli was the main talk of the day, in the absence of a result on financier Mr Carlo De Benedetti's fight for La Générale.

Rumours surrounding Pirelli ranged from suggestions that it might bid for another US company, that it might itself face a bid and that it had made a substantial capital gain in selling its stake in US tyre maker Firestone. *All* were seen as positive news and Pirelli rose L65, or 2.2 per cent, to L2,970, climbing in after hours trading to L3,150.

Mr De Benedetti's Olivetti put on L120 to L11,490 but weakened after the close, while his holding company Cir eased L32 to close at L6,250.

ZURICH was quiet as shares closed mixed to slightly lower, with investors holding their breath before the release of the US trade figures. The early rise in the dollar helped to support prices.

The Crédit Suisse index edged down 0.6 to 456.7.

Ciba-Geigy, up SFr10 at SFr2,875, denied rumours that it planned to bid for US pharmaceutical maker Pfizer.

MADRID share prices were mixed, but the general index reached a year's high – the fourth this week – rising 0.37 to 281.14.

Banco Español de Credito, which firmed three percentage points to 1,170 per cent of par, is to buy a 2 per cent stake in utility Fecsa.

STOCKHOLM ended virtually unchanged in quiet trading pending news of the US trade deficit, which came after the close. The Affärsvärlden index edged up 0.4 to 826.9.

London

BLUE CHIP international stocks tumbled in London following the unexpectedly large $13.83bn US trade deficit for February.

A sharp rise in sterling knocked early gains in the sector and Glaxo dropped 30p to 984p, Reuters 21p to 513p and British Aerospace 15p to 400p.

The market closed above its worst level after suggestions that it had over-reacted to the early fall on Wall Street. The FT-SE 100 index finished 23.2 lower at 1,787.2, reversing the week's advance so far.

Brussels bides time as La Générale meets

THE SHARE price of Société Générale de Belgique rose slightly yesterday in Brussels in the thinnest of markets, as all brokers watched – and many attended – La Générale's extraordinary shareholders' meeting, *writes David Buchan in Brussels.*

The bourse was steady, with the index up 0.05 at 4,739.

The meeting was called to settle the fate of Mr Carlo De Benedetti's takeover bid for Belgium's largest company. Its shares, which the De Benedetti camp had at one point bid up to BFr8,000, yesterday traded at BFr5,010, up BFr180. But volume was less than 1,000.

Few brokers believed the meeting would end the La Générale saga, most predicting stalemate, with Mr De Benedetti failing to gain outright control but retaining a blocking minority of about 47 per cent.

The management and its Franco-Belgian backers would not be able to muster the three quarters majority needed to approve new shares, beyond the extra 4m already authorised.

ASIA

Nikkei tops 27,000 for first time

Tokyo

OPTIMISM over foreign exchange rate levels finally helped to push the Nikkei average past the unexplored peak of 27,000 in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The index rose for its fourth consecutive session, adding 125.8 to reach 27,111.35. The move came seven and a half months after the index reached 26,000, on August 29.

It ranged yesterday from 26,969.37 at the start of the session to 27,123.19 early in the afternoon. Volume rose to 1.2bn shares from Wednesday's 992m, with advances outpacing declines by 504 to 375 and 185 issues unchanged.

The reconfirmation of the present foreign exchange rate levels at the Group of Seven meeting boosted demand.

Investors were also increasingly optimistic about the US trade figures, due to be released after the market closed. Optimism was helped by Japan's customs-cleared trade figures for March, showing a larger-than-expected decline in its trade surplus with the US.

However, uncertainty remained over whether large-capitalisation issues or high-tech stocks would now lead the market, and buying therefore alternated between them.

Steels and shipbuildings rapidly lost their upward momentum in the afternoon. Nippon Kokan drew demand on a newspaper report that it would produce a record recurring profit in the current fiscal year, and rose Y13 to Y413 temporarily. But profit-taking trimmed the gain later and the issue finished Y9 up at Y409. It was the day's most heavily traded stock at 191m shares.

Nippon Steel, second on the active list with 109.1m shares, went up Y8 at one stage, but closed Y3 cheaper at Y487. Mitsubishi Heavy Industries was Y5 down at Y760.

Buying of high-tech issues also tapered off in the afternoon. Matsushita Electric Industrial, the leading issue among them, closed unchanged at Y2,880, with its volume tumbling from 27.3m shares to 7.2m. Sony and Kyocera fell Y30 to Y5,660 and Y50 to Y5,720 respectively, while Fanuc lost Y100 to Y6,560. But NEC added Y20 to Y2,280 and Hitachi Y10 to Y1,510.

As big-capital and high-tech stocks lost popularity, buying shifted to issues affected by internal demand. Kumagai Gumi rose Y30 to Y1,040 and Ohbayashi Y42 to Y1,010, while Sekisui House climbed Y40 to Y2,060. Some consumption-related stocks also advanced, with Tokyu Department Store finishing Y80 up at Y1,250.

Some institutional investors went for incentive-backed equities. Keisei Electric Railway added Y22 to Y910, reflecting the good performance of Tokyo Disneyland, operated by a Keisei subsidiary. Konica jumped Y100 to Y1,630 on improving business and rumours of massive purchases of its shares, while Toyo Sugar Refining advanced Y70 to Y1,180 also on rumours of cornering.

Dealers were reluctant to move on the bond market because of the persistent view that the April issue of government bonds would become the benchmark bond. They were also waiting for the announcement of the February US trade figures.

The yield on the 5.0 per cent government bond due in December 1997, the present benchmark issue, fell to 4.310 per cent from 4.350 per cent, but then rose gradually to finish at Wednesday's closing rate.

Buying spread to small- and medium-sized incentive-backed stocks on the Osaka Securities Exchange and the OSE stock average scored the fourth straight increase, ending up 120.82 at 27,074.42. It recovered beyond the 27,000 mark for the first time in six months and turnover swelled by 65m shares to 173.1m.

Tateho Chemical rallied Y50 to Y805. Tsudakoma was Y50 higher at Y1,420, but Fuso Pharmaceutical lost Y90 to Y1,800.

Australia

DEMAND from local institutions and offshore buyers for energy and leading industrial stocks led share prices higher after a weak opening, and the All Ordinaries index closed up 5.1 at 1,467.6.

Among industrials, transport stocks TNT and Mayne Nickless gained 10 cents each to A$4.40 and A$6 respectively, while Brambles fell 4 cents to A$9.36.

In energy stocks, Woodside Petroleum rose 7 cents to A$1.75 and Santos was up 3 cents at A$4.73. Ampol Exploration added 1 cent to A$3.26 and Bridge Oil moved 1 cent higher to A$1.01.

Hong Kong

EARLY profit-taking by local investors failed to dampen the market and stocks closed firmer.

The Hang Seng index rose 12.89 to 2,684.13, on turnover of HK$1.24bn against HK$1.13bn on Wednesday.

China Entertainment announced a one-for-one rights issue at 36 cents a share before the market closed, and its stock ended 0.5 cents higher at 45 cents.

Singapore

SPECULATIVE buying alternated with sporadic profit-taking to leave to market mixed in fairly active trading.

Malaysian speculative stocks and cheaper-priced issues dominated the market and the Straits Times Industrial index rose 1.67 to 957.11, having fallen by 1.98 in early trading.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY APRIL 14 1988					WEDNESDAY APRIL 13 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	122.31	+0.9	96.69	108.85	3.96	121.28	97.75	108.42	122.31	91.16	131.76
Austria (16)	92.50	+1.0	73.12	79.88	2.62	91.60	73.83	80.29	98.18	84.35	92.54
Belgium (65)	128.89	+1.5	101.89	111.41	4.45	126.98	102.35	111.33	139.89	99.14	118.09
Canada (126)	123.31	-1.4	97.48	110.45	2.98	125.12	100.85	112.21	125.49	107.06	130.73
Denmark (39)	123.36	+1.3	97.52	107.26	2.66	121.73	98.11	107.12	123.36	111.42	112.45
Finland (25)	127.89	+1.1	101.10	107.16	1.93	126.49	101.95	107.19	127.89	106.78	–
France (121)	87.57	+1.0	69.22	77.47	4.27	86.68	69.86	78.01	88.72	72.77	118.60
West Germany (99)	80.12	+1.6	63.34	69.23	2.65	78.85	63.55	69.38	80.79	67.78	93.90
Hong Kong (46)	105.83	+0.8	83.66	106.08	4.24	104.97	84.61	105.23	105.83	84.90	106.91
Ireland (18)	123.91	+0.3	97.95	108.85	4.08	123.58	99.60	110.11	123.91	104.60	118.17
Italy (102)	80.37	+2.6	63.53	74.07	2.53	78.37	63.17	73.43	81.74	62.99	108.23
Japan (457)	177.27	+2.4	140.13	138.56	0.51	173.14	139.55	138.23	177.27	133.61	154.11
Malaysia (36)	129.74	+1.0	102.56	128.27	2.82	128.42	103.50	127.45	129.74	107.83	146.62
Mexico (14)	139.40	+3.7	110.20	339.89	1.05	134.41	108.33	335.06	176.90	90.07	159.57
Netherland (38)	110.40	+0.1	87.27	93.97	4.86	110.27	88.87	95.55	110.66	95.23	115.49
New Zealand (22)	78.69	+1.8	62.20	63.04	5.23	77.33	62.33	62.20	79.15	64.42	96.04
Norway (25)	125.63	-2.5	99.31	105.85	2.80	128.81	103.82	109.66	129.29	98.55	130.14
Singapore (26)	110.63	+0.4	87.45	102.19	2.44	110.18	88.80	102.03	114.93	97.99	120.75
South Africa (60)	126.72	+3.1	100.17	82.31	5.17	122.91	99.06	82.68	139.07	118.16	174.37
Spain (42)	155.36	+1.5	122.81	130.58	3.27	153.02	123.33	130.07	155.36	130.73	115.03
Sweden (38)	124.75	+1.3	98.61	108.45	2.60	123.19	99.29	108.24	124.75	96.92	118.64
Switzerland (56)	83.25	+2.3	65.81	70.87	2.42	81.38	65.59	70.76	86.75	76.22	97.76
United Kingdom (330)	138.80	+0.9	109.72	109.72	4.34	137.57	110.88	110.88	140.79	123.09	128.75
USA (583)	105.87	-4.2	83.69	105.87	3.58	110.50	89.06	110.50	110.51	99.19	117.68
Europe (1014)	110.43	+1.2	87.30	92.00	3.79	109.13	87.95	92.56	110.53	97.01	114.74
Pacific Basin (676)	172.26	+2.3	136.17	135.97	0.69	168.37	135.70	135.62	172.26	130.81	151.48
Euro-Pacific (1690)	147.53	+2.0	116.63	118.52	1.63	144.68	116.61	118.52	147.53	120.36	136.82
North America (709)	106.80	-4.0	84.42	106.16	3.54	111.28	89.69	110.63	111.28	99.78	118.37
Europe Ex. UK (684)	92.81	+1.5	73.37	80.92	3.31	91.47	73.73	81.09	92.81	80.27	106.08
Pacific Ex. Japan (219)	111.82	+0.9	88.39	102.99	4.03	110.84	89.34	102.38	111.82	87.51	119.39
World Ex. US (1890)	146.49	+1.9	115.80	117.98	1.70	143.79	115.89	118.05	146.49	120.26	137.02
World Ex. UK (2143)	130.06	-0.2	102.81	114.26	2.06	130.28	105.00	115.91	130.28	111.77	129.54
World Ex. So. Af. (2413)	130.84	-0.1	103.43	114.04	2.26	130.96	105.55	115.65	130.96	113.26	129.17
World Ex. Japan (2016)	108.52	-1.9	85.78	100.98	3.67	110.66	89.19	103.69	110.99	100.00	117.75
The World Index (2473)	130.82	-0.1	103.41	113.82	2.28	130.92	105.52	115.42	130.92	113.37	129.46

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).